

[REDACTED]

From: [REDACTED]
Sent: 07 January 2020 14:07
To: [REDACTED]
Cc: [REDACTED]
Subject: FW: ORR response to questions on Rail Financing

Hi [REDACTED]
[REDACTED] has emailed, did you manage to speak to progress this before the festive break?
Thanks
[REDACTED]

From: [REDACTED]@blueyonder.co.uk>
Sent: 07 January 2020 10:52
To: [REDACTED]@transport.gov.scot>
Cc: [REDACTED]@orr.gov.uk
Subject: Re: ORR response to questions on Rail Financing

[REDACTED]
*Here's wishing you a good New Year.
Getting the feet back under the table after the Christmas break. Which prompts me to enquire: any progress on this?*
Regards,
[REDACTED]

Sent from my iPod

On 14 Nov 2019, at 09:57, [REDACTED]@transport.gov.scot> [REDACTED]@transport.gov.scot> wrote:

Dear [REDACTED]
Thank you for your email. It prompted me to follow up with my finance colleagues and we hope you get you some more detail on this by the end of the week.
Kind regards
[REDACTED]

From: [REDACTED]@blueyonder.co.uk>
Sent: 13 November 2019 17:45
To: [REDACTED]@transport.gov.scot>
Cc: [REDACTED]@orr.gov.uk>
Subject: Re: ORR response to questions on Rail Financing

[REDACTED]
[REDACTED] has indicated she feels it is more for Transport Scotland to respond to this. So I'd be grateful if you could let me have a response.
[REDACTED]

Sent from my iPod

On 19 Sep 2019, at 16:12, [REDACTED]@blueyonder.co.uk> wrote:

Thanks for ORR's responses to my general questions on RAB. That has clarified some of the background, but leaves me with specific concerns about the particular application of RAB as the EGIP was being commissioned. My concerns about this are not allayed by the fact that RAB is no longer applied to the funding of NR expenditure. RAB was in operation at the time of the EGIP Final Business case: so any mistakes in the application of RAB could potentially affect the soundness with which that decision was taken at the time.

For starters, can I pose the following puzzle.

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Apart from this, ORR lobs back to TS the question of whether there were any Barnett consequentials from the ending of RAB down South. I wonder if [REDACTED] could pick this one up.

It would probably be better to discuss face to face, because there are other points that puzzle me as well. But however you and TS want to handle things, I look forward to hearing from you on the above.

Yours sincerely,

[REDACTED]

On 11/09/2019 07:29, [REDACTED] wrote:

Morning [REDACTED]

Apologies for the delay in responding, please find attached our answers to the questions that you had asked about rail financing.

Kind regards

[REDACTED]

<mime-attachment.png>

<mime-attachment.png>

[REDACTED] Scotland
[REDACTED]@orr.gsi.gov.uk

Office of Rail & Road | Tara House | 46 Bath Street | 2nd Floor (west) | Glasgow | G2 1HG

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Cc: [REDACTED]
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<mime-attachment.png>

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[REDACTED]
[REDACTED] Scotland
[REDACTED] [@orr.gsi.gov.uk](mailto:[REDACTED]@orr.gsi.gov.uk)

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<mime-attachment.png>

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[Redacted] Scotland
[Redacted] orr.gsi.gov.uk

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[REDACTED]

From: [REDACTED]@orr.gov.uk>
Sent: 15 October 2019 09:53
To: [REDACTED]
Subject: New Time Proposed: Rail Financing Query

Hi [REDACTED]

Sorry but I now have a clash (meeting 2:30 to 3:30) – could I please reschedule this call to later, I've suggested 3:30?

Thanks
[REDACTED]

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[REDACTED]

From: [REDACTED]@orr.gov.uk>
Sent: 14 October 2019 09:51
To: [REDACTED]
Subject: RE: ORR response to questions on Rail Financing

Hi [REDACTED]

We didn't catch up on this and I am mindful that time is quickly ticking on.

Do you have any time this week for a call?

Thanks
[REDACTED]

From: [REDACTED]@transport.gov.scot [REDACTED]@transport.gov.scot>
Sent: Friday, September 20, 2019 8:22 AM
To: [REDACTED]@orr.gov.uk>
Subject: RE: ORR response to questions on Rail Financing

Super thanks [REDACTED]. You will have gathered that I have very little experience of this subject area! I will pop something in the diary for next Tues morning.

We can call you. Is this the best number to get you on ?

[REDACTED]

From: [REDACTED]@orr.gov.uk>
Sent: 20 September 2019 08:14
To: [REDACTED] <[REDACTED]@transport.gov.scot>
Subject: RE: ORR response to questions on Rail Financing

Morning [REDACTED]

Thanks for emailing. Would be good to discuss. I exchanged emails with my colleagues last night and all agreed that (sorry) this is more of a question for Transport Scotland (as the FBC was commissioned by Transport Scotland). My colleagues also pointed out that there will also be an inflation issue as the first number is in cash prices.

Let me know when suits for a call, Tues morning looks good for me.

Thanks
[REDACTED]

From: [REDACTED]@transport.gov.scot [REDACTED]@transport.gov.scot>
Sent: Friday, September 20, 2019 8:07 AM
To: [REDACTED]@orr.gov.uk>
Subject: FW: ORR response to questions on Rail Financing

Good morning [REDACTED]

I think it may be best if we discuss and agree the best approach to be taken here. Let me know when you can do a call at the start of next week and I will ensure my colleagues who have some degree of knowledge in this area can join us.

Thanks
[REDACTED]

From: [REDACTED]@blueyonder.co.uk>
Sent: 19 September 2019 16:12
To: [REDACTED]@orr.gov.uk>
Cc: [REDACTED]@transport.gov.scot>
Subject: Re: ORR response to questions on Rail Financing

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It would probably be better to discuss face to face, because there are other points that puzzle me as well. But however you and TS want to handle things, I look forward to hearing from you on the above.

Yours sincerely,
[REDACTED]

On 11/09/2019 07:29, [REDACTED] wrote:

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Kind regards
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Dh'fhaodadh gum bi teachdaireachd sam bith bho Riaghaltas na h-Alba air a chlàradh neo air a sgrùdadh airson dearbhadh gu bheil an siostam ag obair gu h-èifeachdach neo airson adhbhar laghail eile. Dh'fhaodadh nach eil beachdan anns a' phost-d seo co-ionann ri beachdan Riaghaltas na h-Alba.

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[REDACTED]

From: [REDACTED]@orr.gov.uk>
Sent: 14 October 2019 10:44
To: [REDACTED]
Subject: RE: ORR response to questions on Rail Financing

Both very busy, do not worry.

Today a bit chaotic but free tomorrow after 2.30 if that works for you?

From: [REDACTED]@transport.gov.scot [REDACTED]@transport.gov.scot>
Sent: Monday, October 14, 2019 10:41 AM
To: [REDACTED]@orr.gov.uk>
Subject: RE: ORR response to questions on Rail Financing

Oh goodness I completely forgot about this. Yes I am around today and tomorrow if either of these days suit you?

From: [REDACTED]@orr.gov.uk>
Sent: 14 October 2019 09:51
To: [REDACTED]@transport.gov.scot>
Subject: RE: ORR response to questions on Rail Financing

Hi [REDACTED]

We didn't catch up on this and I am mindful that time is quickly ticking on.

Do you have any time this week for a call?

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[REDACTED]

From: [REDACTED]@orr.gov.uk>
Sent: 20 September 2019 08:25
To: [REDACTED]
Subject: RE: ORR response to questions on Rail Financing

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Sent: Friday, September 20, 2019 8:22 AM
To: [REDACTED]@orr.gov.uk>
Subject: RE: ORR response to questions on Rail Financing

Super thanks [REDACTED] You will have gathered that I have very little experience of this subject area! I will pop something in the diary for next Tues morning.

We can call you. Is this the best number to get you on ?

[REDACTED]

From: [REDACTED]@orr.gov.uk>
Sent: 20 September 2019 08:14
To: [REDACTED]@transport.gov.scot>
Subject: RE: ORR response to questions on Rail Financing

Morning [REDACTED]

Thanks for emailing. Would be good to discuss. I exchanged emails with my colleagues last night and all agreed that (sorry) this is more of a question for Transport Scotland (as the FBC was commissioned by Transport Scotland). My colleagues also pointed out that there will also be an inflation issue as the first number is in cash prices.

Let me know when suits for a call, Tues morning looks good for me.

Thanks
[REDACTED]

From: [REDACTED]@transport.gov.scot [REDACTED]@transport.gov.scot>
Sent: Friday, September 20, 2019 8:07 AM
To: [REDACTED]@orr.gov.uk>
Subject: FW: ORR response to questions on Rail Financing

Good morning [REDACTED]
I think it may be best if we discuss and agree the best approach to be taken here. Let me know when you can do a call at the start of next week and I will ensure my colleagues who have some degree of knowledge in this area can join us.
Thanks
[REDACTED]

From: [REDACTED]@blueyonder.co.uk>
Sent: 19 September 2019 16:12
To: [REDACTED]@orr.gov.uk>
Cc: [REDACTED]@transport.gov.scot>
Subject: Re: ORR response to questions on Rail Financing

Dear [REDACTED]

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It would probably be better to discuss face to face, because there are other points that puzzle me as well. But however you and TS want to handle things, I look forward to hearing from you on the above.

Yours sincerely,

[REDACTED]

On 11/09/2019 07:29, [REDACTED] wrote:

Morning [REDACTED],

Apologies for the delay in responding, please find attached our answers to the questions that you had asked about rail financing.

Kind regards

[REDACTED]



[REDACTED]
Senior Regulation Manager, Scotland
[REDACTED]@orr.gov.uk

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Tha am post-d seo (agus faidhle neo ceanglan còmhla ris) dhan neach neo luchd-ainmichte a-mhàin. Chan eil e ceadaichte a chleachdadh ann an dòigh sam bith, a' toirt a-steach còraichean, foillseachadh neo sgaoileadh, gun chead. Ma 's e is gun d'fhuair sibh seo gun fhiosd', bu choir cur às dhan phost-d agus lethbhreac sam bith air an t-siostam agaibh agus fios a leigeil chun neach a sgaoil am post-d gun dàil.

Dh'fhaodadh gum bi teachdaireachd sam bith bho Riaghaltas na h-Alba air a chlàradh neo air a sgrùdadh airson dearbhadh gu bheil an siostam ag obair gu h-èifeachdach neo airson adhbhar laghail eile. Dh'fhaodadh nach eil beachdan anns a' phost-d seo co-ionann ri beachdan Riaghaltas na h-Alba.

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[REDACTED]
[REDACTED] Scotland
[REDACTED] @orr.gsi.gov.uk

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Kind regards

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[REDACTED] ors.gov.uk

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From: [REDACTED]@orr.gov.uk>
Sent: 11 September 2019 07:29
To: [REDACTED]@blueyonder.co.uk
Cc: [REDACTED]
Subject: ORR response to questions on Rail Financing
Attachments: ORR response to [REDACTED] questions on the RAB.docx

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Apologies for the delay in responding, please find attached our answers to the questions that you had asked about rail financing.

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Over what period did the RAB system operate for the finance of capital projects in Scotland's railways.
Prior to its reclassification, Network Rail could borrow from the market, so long as it kept within its regulatory settlement, with investors gaining 'comfort' from the government guarantee. The ORR would add capital expenditure to Network Rail's Regulatory Asset Base (RAB). The RAB still exists but is not used in the funding of Network Rail's renewal or enhancements in Control Period 6 (which covers the period April 2019 to March 2023). See page 39 of our [financial framework document](#) for more details.

How did that operate: in particular, what variant of the RAB financing model was used?

All previous periodic reviews/access charges reviews undertaken for Network Rail (and Railtrack) in 2000, 2003 and 2008 used the standard 'building block' methodology as explained in the relevant final determinations.

The key features of the RAB were that we: assessed what capital expenditure on renewals and enhancements was required for the control period. Renewals and enhancements were added to the RAB in the relevant year. Network Rail received an amortisation allowance to pay for renewals. Enhancements were funded by borrowing. It also received a return on the RAB which covered, among other things, interest payments on its debt.

I know that RAB has been scrapped as regards network rail projects down south. I take it the same is true in Scotland?

Yes, see answer to question 1.

What system has replaced RAB?

For CP6, we used a 'building blocks' approach to calculate the revenue requirement but without the use of the RAB. For an illustration of this approach, please see page 50 of our [financial framework document](#).

Were there any transitional issues associated with the change: that is, savings or additional costs?

No

Were there any Barnett consequential stemmings from the ending of RAB down south?

This is a matter for HMT/DfT and Transport Scotland.

Are there any legacy spending commitments stemming from the former use of RAB?

Following reclassification, the interest costs on the debt incurred by Network Rail in relation to Scotland are funded by DfT.