

The Shaw Report  
Zone 6.03  
Sanctuary Buildings  
Great Smith Street  
London  
SW1P 3BT

21 December 2015

Dear Madam

### **Response to The Shaw Report Consultation**

SSE is one of the UK's leading companies and is the broadest based energy company operating in the GB energy market. It has interests in the generation, transmission, distribution and supply of electricity, in the production, storage, distribution and supply of gas and in other energy services. Its core purpose is to provide the energy people need in a reliable and sustainable way. SSE is also the largest electrical contractor in the UK; has an extensive telecoms network and has over fifteen years' experience in the railway industry. SSE Enterprise Rail provides M&E, Civil and Building services to both Network Rail and various Train Operating Companies, utilising 3,500 staff in 48 depots.

SSE recognises the importance of a safe, efficient and high quality railway infrastructure to Britain, in supporting its economy and providing wider social benefits and welcomes the opportunity to respond to this consultation on the future shape and financing of Network Rail.

With one of the largest UK Energy Infrastructures, SSE has significant experience in planning and delivering large capital projects as well as owning, operating and maintaining large infrastructure assets, within a range of regulatory regimes. As such, we are appreciative of the complexity of undertaking major infrastructure projects as well as the challenges involved in funding both the maintenance and enhancement of the owned asset.

In particular, we recognise that there is a fundamental challenge for Network Rail to fund both OPEX and CAPEX expenditure within its current operating model, with particular emphasis on challenges with funding CAPEX expenditure and the resultant OPEX cost of maintaining the enhanced asset. SSE believes that the private sector can play an important role in addressing these challenges and help to drive innovation in the railways, as well as using private sector experience in improving planning and governance processes.

We believe that Network Rail can utilise the experience of companies such as SSE of delivering large infrastructure projects and operating these assets in other sectors.

We also believe there is a place for ownership of railway infrastructure assets by private sector partners and that the sale of existing Network Rail assets to private sector partners with the skills and experience to maintain them will release funds to help finance new enhancement projects; providing

a means for Network Rail to recycle its capital. This also allows Network Rail to focus on its core area of expertise in delivering rail projects, where its time and resources can be best spent.

For new enhancement projects SSE believes there is also a role for asset ownership combined with co-delivery of these projects. We believe this could provide benefits for both Network Rail and its private sector partners. The involvement of a private sector partner with the appropriate experience allows Network Rail to leverage the partner's knowledge and best practice in the planning and delivery of large capital projects. The investment incentivises the private sector partner to share this best practice and drive discipline in capital expenditure and project delivery. Upon completion these assets can pass into private ownership allowing Network Rail to use remaining capital investment for future enhancement projects. There is also scope for full delivery by the private sector in a model where it funds, designs, builds, owns and maintains assets.

SSE's experience is that partnerships are most successful when the parties' objectives are aligned and they share a common culture. This is equally true of partnerships within the private sector and those between the private and public sectors. SSE sees many of its own values reflected in the culture of Network Rail: having safety as our number one priority; a belief that doing things safely also delivers the best performance; and putting the customer at the heart of everything we do.

As in other sectors, private investors are likely to look for certainty particularly when investing in long term infrastructure assets. Political and/or regulatory uncertainty will likely reduce the investment appetite therefore it would be beneficial to offer as much certainty in the terms of any private investment arrangement as possible.

SSE is supportive of the review of the future shape and financing of Network Rail to produce an efficient and sustainable model to deliver a world class railway infrastructure for Britain. We believe that the private sector can play an important role in the future of the railways; providing financial and delivery resources to complement the skills and expertise already within Network Rail.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Raj Sinha', with a stylized flourish at the end.

Raj Sinha  
**Managing Director, SSE Enterprise Rail**

