MOSL
MARKET OPERATOR SERVICES LTD

Easier to do business

MOSL Business Plan
2022–25

Contents

Executive Summary

Our rolling three-year business plan sets out how we will deliver on our purpose, vision and strategy.

Purpose
"Advancing simple and effective water markets to unlock value and choice for customers"

Vision
"Using our collective expertise and independent insight to deliver the best customer outcomes"

Strategic Priorities and Results

Service Excellence
- Simple and effective services that are easy to access

Data Insight
- Evidence based decisions, driving value for customers

Market Improvement
- A successful market that is continually improving

Organisational Capability
- A high performing team set up to deliver change

The plan is fully aligned to resolving Ofwat's three key market frictions:

- **Poor quality consumption, customer, and asset data**
- **Cumbersome wholesaler-retailer interactions**
- **Inadequate wholesaler performance**

As well as tackling these frictions, our improvement programmes will drive wider improvements to the non-household market with a continued focus on making it 'easier to do business' and enabling timely, accurate meter reads – which are fundamental to effective market operations.

This is our second three-year plan, giving members a clearer view of our multi-year programmes and their associated costs. This plan covers 2022-25 and is a continuation of the programmes we set out in our 2021-24 Business Plan.

We have made strong progress against each of our business plan commitments over the course of the year.

Our key deliverables achieved in 2021/22 include:

- ☑ **Approach to business planning** - Investment Approval Board established to drive value for money, and benefits realisation
- ☑ **Bilateral Transactions Programme** - First bilaterals processes launched in new hub to significantly improve the way retailers and wholesalers interact and improve the service they provide to customers
- ☑ **Market Governance** – Independent review completed, and new governance arrangements implemented, including the establishment of the new Strategic Panel
- ☑ **Strategic Metering Review** – New Metering Committee established to drive changes with two strategic themes outlined to address: metering technology and roles and responsibilities. Good progress made on the eight identified quick start programmes with trading party sponsors
- ☑ **Data Insight** - Market Data Charter published which will inform our Market Data Strategy. Data Warehouse built to support a step change in the provision of market reports and insight
- ☑ **Channel Management** - New improved website completed making it easier for trading parties to engage with MOSL and find the information they need.

Our plan continues to be presented in two parts:

Core services - Delivering our 'business as usual activity' through our Market Services Framework

Improvement programmes – Delivering our longer-term programmes to advance the market

Core services highlights:

- Maintain high quality, consistent services across our four key delivery areas: Market Operations, Market Improvement, Market Assurance, Governance and Support
- Report transparently on our performance through quarterly reporting against our Key Performance Indicators (KPIs)
- Continue to improve the efficiency of how we deliver and reduce the like-for-like cost of delivery each year (1% reduction in 2022/23 - excluding the impact of inflation and new services)
- Fully embed the new Cyber Security Operations Centre (CSOC) which launches in February 2022
- Transition the Bilaterals hub into business as usual for all completed processes.

Improvement programme highlights:

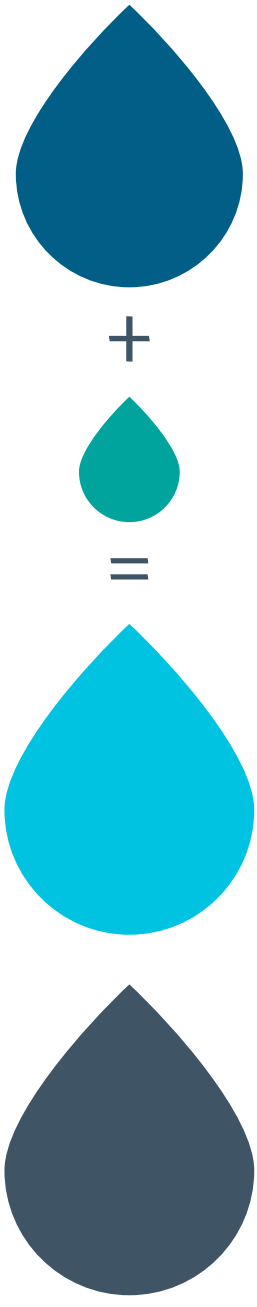
This year's plan focuses on **five key improvement programmes** which deliver on the key priorities for the market, enabling improved customer outcomes and reduced market frictions.

Programme	2022/23 delivery and outcomes
Bilateral Transactions Programme	• Deliver all planned processes onto the new hub • Reduce cost to serve, improve customer service and give greater visibility of performance
Strategic Metering Review	• Continue to focus on quick start projects alongside key strategic reviews • Enable more timely, accurate meter reads for customers
Data Insight	• Deliver priority initiatives informed by the Market Data Strategy and ongoing collaboration with the Technical Advisory Group (TAG) • Improve market data to enable better customer service and innovation
Market Performance Framework Reform	• Develop and complete the design of an agreed new framework • Incentivise better trading party performance to improve customer outcomes
CMOS Modernisation	• Begin work on CMOS rehosting in line with MOSL's technology roadmap • Reduce running cost and lower risk as part of wider roadmap

An efficient, cost-conscious plan

We recognise the difficult economic conditions and uncertainty for trading parties in light of the ongoing global pandemic. We will continue to balance the need to deliver our improvement programmes which provide significant benefits to the market and efficiencies to trading parties, with the need to keep charges low for members.

Our budget for 2022/23 comprises:



Core Service delivery spend

£9,675k

(FY 2021/22 – £9,390k)

+

Improvement Programme delivery spend

£1,725k

(FY 2021/22 - £2,025k)

=

Total overall spend

£11,400k

(FY 2021/22 - £11,415k)

Market Operator charges

£11,400k

(FY 2021/22 - £11,075k*)

* For 2021/22, £340k of spend is being funded through reserves, in line with our approved budget. These reserves are a result of spend being lower than budget during 2020/21.

Our budget for 2022/23 headline messages:

- **Market Operator charges remain flat in real terms:** 2.9% increase driven by inflationary pressures
- **Core service delivery costs are reducing on like for like basis:** 3.0% increase driven by inflation (with cost of additional services absorbed by efficiency improvements)
- **Improvement programme costs lower year on year but higher than forecast in our previous plan:** driven by increased costs in the Bilateral Transactions Programme of £740k. The impact of this on MO charges has been mitigated by delaying CMOS modernisation by six months
- **Bilateral Transactions Programme:** the additional budgeted costs reflect the increased drive from the market to improve bilateral processes as they transfer to the new hub and to deliver additional functionality of the hub itself. The plan ensures the programme can continue to deliver an optimised product. The additional benefits this will provide to members and customers are expected to outweigh any extra cost

The full breakdown of our 2022/23 budget can be found in the Budget section.

View from our Chair

It is my pleasure, on behalf of the MOSL Board, to present MOSL's 2022-25 Business Plan.

Since taking up my tenure as Chair just over a year ago, the environment in which we operate has altered. Now, more than ever, we are all seeking to respond to the threat of climate change, population growth and water scarcity which has led us, as an industry, to develop much needed and very ambitious targets around net zero carbon and water saving. But, against the backdrop of the pandemic, there also remains a strong desire to 'get the basics right' and resolve the market frictions which are preventing the market from flourishing.

There is a shared recognition too that, while we are all working to remove known obstacles, it is crucial we revisit some of the decisions made at market opening and ask ourselves honestly what changes are needed to create a healthier and more vibrant market.

At the start of developing this plan, the MOSL Board assessed whether our existing business plan would help move things forward in the right areas and at the pace required. We established that improvement programmes such as the Bilateral Transactions Programme and the Strategic Metering Review were important parts of the picture as we aimed collectively to tackle market frictions. Our work on data insight and segmentation can only help to inform the debate around environmental concerns. We are also looking at market incentives through the reform of the Market Performance Framework. And the outcomes of the Market Governance Review - which has already seen the establishment of the new Strategic Panel - will help both affect and enable the pace of change. My congratulations, too, to Trisha McAuley on her appointment as Strategic Panel chair. You can hear from Trisha and read the Panel's formal response to our business plan consultation in the Stakeholder Engagement section of our plan. That is all work in hand.

But we need to do more - and now is the time to act. During 2021, we at MOSL have continued to respond to the impact of the pandemic and the new ways of working we are seeing, as a business, as a market operator and as part of an industry. We understand the market and non-household customers more now than we ever did, as well as the market frictions that exist. One of the most common themes I've heard over the past year is the need to move away from a 'one-size fits all' approach. Non-household customers use approximately 30 per cent of all the water consumed in England – with the largest one per cent consuming 50 per cent of the market's total. That represents a significant proportion of the country's water and, due to its skewed nature, an equally big opportunity to affect water efficiency measures. In contrast, around 80 per cent of the 1.2 million customers in the market use the same amount of water as, or less than, household customers.

This type of understanding – gained through the improved quality, and use of, data - is key to unlocking and enabling a successful market, where customers enjoy better service and value for money and are encouraged to use their water appropriately. I personally believe that a demonstrably successful market can indeed be created if we work together now and are open about what we need to tackle and how best tackle it.

On behalf of the MOSL Board, we look forward to hearing your views on our draft plan and continuing to work with you at this important moment for the market.

Anne Heal

Introduction from our CEO

Two years ago, when I joined MOSL, our company, the market we operate, and the global landscape was in a very different place.

We had not yet gained your confidence as a mature market operator, able to deliver on our business plan commitments. The market, although still facing significant challenges, was hampered by inefficiencies, and lacked alignment on key market issues. In addition, the world in which we are all operating has changed irrevocably following the COVID-19 pandemic – which remains a threat to our health, our businesses, and our market.

In presenting our 2022-25 Business Plan, I recognise that the economic conditions remain difficult for members. When we developed our three-year strategy in July 2020, we considered the key external factors which may require the strategy to shift in a number of areas. This considered the economic climate, the impact of COVID-19, and beyond other things, the potential to expand our services to resolve market pain points – ensuring that we earn the 'right to do more'. It is my hope, in developing this plan, that we have earned your trust as a market operator that not only delivers on its commitments but that drives value to the wider market.

Our plan remains focused on delivering against our strategic priorities and builds on the momentum of our 2021-24 Business Plan.

Our purpose is 'Advancing simple and effective water markets to unlock value and choice for customers". This remains at the heart of our decision-making process. In developing our purpose, we were clear on its intentions:

- To unlock better value for customers in the service and the bills that they receive, and
- To provide greater choice for customers in who supplies their water and wastewater retail services

But, in the context of the wider water industry and changing environmental landscape, we have begun to reconsider what we mean by "value" and "choice". Since the market was designed, the public policy backdrop has continued to evolve, and the urgency of the climate change debate has brought the environment into even sharper focus.

In 2021, the Government enshrined in law a new target to cut emissions and the water industry has set its own ambitious target for Net Zero by 2030. The Environment Agency has classified eight additional water companies as "seriously water stressed for metering purposes", but there is limited awareness from customers on supply/demand challenges. What's more, there remain fundamental issues with how the market is constructed that are preventing us from delivering improved environmental and customer outcomes.

Developments over the course of the last four years and against the backdrop of the pandemic serve to emphasise the importance of the market delivering for customers and delivering against environmental expectations. This means we need to challenge our definition of value and choice and also consider:

- **Value:** how customers value water and value the impact their water usage has on supply/demand challenges and associated carbon emissions
- **Choice:** the ability for customers to choose to better understand their water usage and to make informed decisions around using less water or about when they use their water

Key to enabling this is the need for good quality data - which is fundamental to making the market work and for realising the wider water sector goals. Our plan is focused on improvement programmes that will address the key market frictions identified by Ofwat and seek to drive better data quality (and analysis of that data), and on efficiency and cost savings. There is a strong focus throughout the plan to make the market 'easier to do business' in and the need for timely, accurate meter reads – which underpin our ability to deliver on the above outcomes. Delivering against the wider expectations of the market in relation to water efficiency and sustainability, forms part of our long-term ambitions. This plan sets out the building blocks for us to achieve these goals.

We will also look at the incentives in the market, through a fundamental reform of the Market Performance Framework (MPF), to ensure we are driving the right behaviours and outcomes. The need for this review has been highlighted not only by MOSL, but by Ofwat and trading parties – in particular, the urgency for this framework to be revisited in light of market challenges. The MPF Reform is now one of the key improvement programmes for our 2022-25 Business Plan along with four other improvement programmes that will deliver significant benefit to market. Importantly, these programmes are all interdependent and will heavily inform one another as they work towards the same outcomes.

We have continued to engage with our members and stakeholders in the development of our plan to ensure the areas of focus are aligned to the market priorities.

Our plan remains highly cost-conscious with proposed total expenditure of £11,400k, a 0.1% decrease on 2021/22 budgeted spend. We continue to drive efficiencies in the delivery of core services, with like-for-like costs continuing to fall each year, allowing us to provide targeted additional services such as enhanced cyber security capabilities.

Whilst the budgeted cost for our improvement programmes will fall year-on-year, costs for 2022/23 will be higher than we signalled in our previous plan. We are increasing the investment in our Bilateral Transactions Programme to ensure we get the right solution for members, with associated benefits expected to be much higher than programme costs.

Our proposed Market Operator (MO) charges are £11,400k, an increase of 2.9% (versus 2021/22 budgeted charges), which is below forecast levels of Consumer Price Index (CPI) inflation. We have balanced the need to keep charges low for members whilst delivering our priority programmes, and their benefits to the market, at the right pace.

> **Our proposed MO charges are £11,400k, an increase of 2.9% (versus 2021/22 budgeted charges), which is below forecast levels of CPI inflation.**

As we set out this draft plan for consultation, I welcome and encourage your views to ensure it drives the improvements you want to see, at the pace you want to see them. As the Environment Bill has passed into law, water companies begin planning their Water Resource Management Plans (WRMPs), and as Ofwat begins to consult on PR24 and the upcoming Retail Exit Code (REC) review, we believe now is a critical time for the market. Our improvement programmes do not exist in isolation, they are designed to complement wider improvement activities and I look forward to working with you as we deliver them.

Sarah McMath

Our budget

Overall

Our proposed 2022/23 budget for total expenditure and Market Operator (MO) charges is £11,400k.

	2022/23 proposed budget £'000	2021/22 budget £'000	Change %
Total spend	**11,400**	11,415	-0.1%
Funded through:			
Market Operator charges	**11,400**	11,075	+2.9%
Reserves [1]	**-**	340	

In setting our 2022/23 budget, we recognise that the financial environment remains extremely challenging for our members. Our plan keeps costs as low as possible, whilst ensuring we remain able to deliver the key programmes of work which will drive significant improvement in the water retail market both for members and for customers.

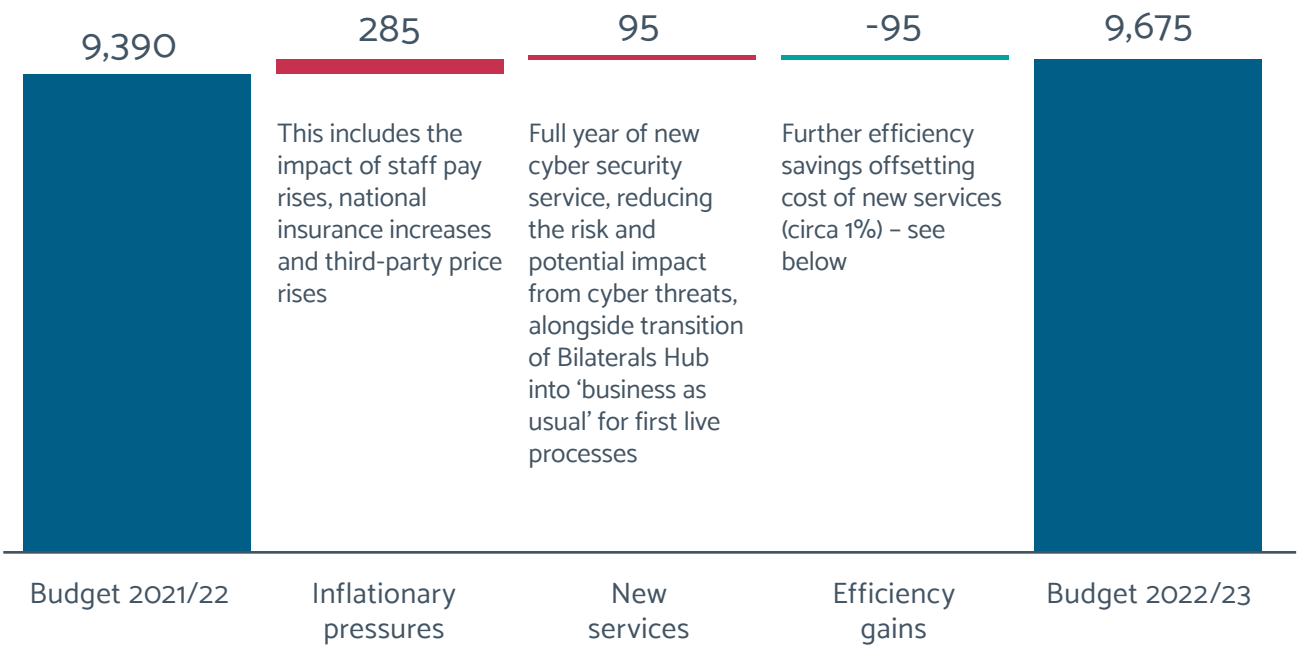
Our cost budget is made up of two parts – **core services** to deliver our 'business as usual' activity and our longer-term **improvement programmes** that advance the market in line with our strategic priorities.

[1] For 2021/22, £340k of spend is being funded through reserves, in line with our approved budget. These reserves are a result of spend being lower than budget during 2020/21.

Core services budget 2022/23 – £9,675k (2021/22 - £9,390k)

Our core services budget has increased by 3% from 2021/22. Aside from inflation, continued efficiency improvements will lower costs by 1%, which we will use to fund the cost of new services.

Core Services Budget (£k)

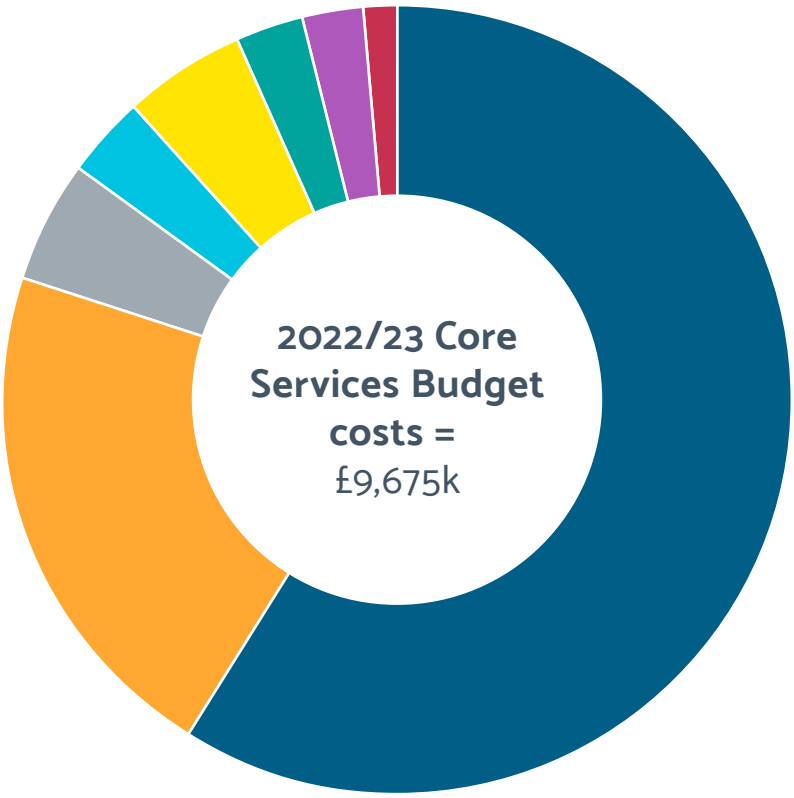


Delivering efficient core services

We have introduced a range of efficiency measures including:

- **Increased virtual meetings for Panel and committees** – reducing costs for MOSL and travel time for trading party participants. MOSL savings are circa £120k versus our pre Covid working practices
- **Insourcing legal and audit activity** – allowing us to deliver these activities more effectively and at a lower cost. MOSL savings are circa £140k versus using external providers
- **Contract management** – renegotiating the CMOS maintenance contract in April 2020, which continues to deliver savings, enabling us to avoid inflationary increases of circa £80k in 2022/23
- **Using internal resource** – using highly-skilled internal resource for the delivery of key improvement programmes, reducing our reliance on expensive third parties and contractors. Agency and contractor costs were £1,057k at their peak in 2019/20, but we do not plan on using any during 2022/23.

Core service costs – how we spend our budget

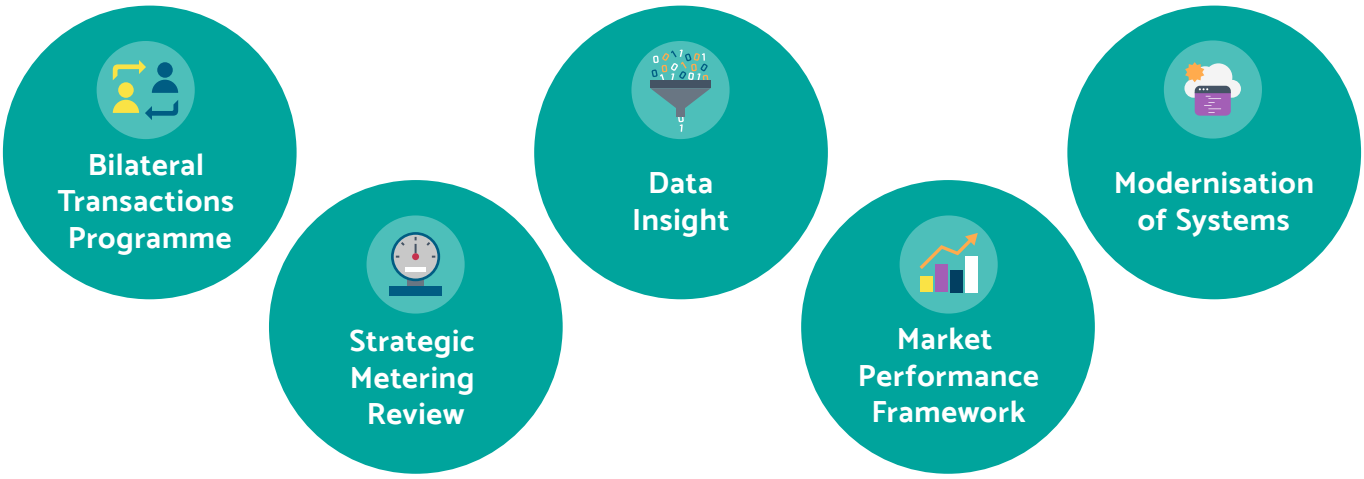


Cost category	2020/23 budget (£k)	Change on 2021/22 budget - (increase/ decrease)	Change on last year
People related spend	5,698	5.9% ↑	Driven by pay rises, higher national insurance and full year cost of 2021/22 recruitment
CMOS maintenance	2,047	1.1% ↑	Due to increased scope with prices for core services fixed in renegotiated contract
Market related change	500	- ↑	Assumes level of code changes to update CMOS returns to typical levels from previous years
Panel and Committee	307	(32)% ↓	Saving from increase in virtual meetings
Software, hardware and communications	498	21% ↑	Due to additional cyber security and Bilaterals services
Professional services	274	9% ↑	Inflationary pressures, primarily on insurance
Rent, rates and facilities	221	10% ↑	Inflationary increases including rent review
Market audit	130	(24)% ↓	Saving from delivering more trading party audit work in-house

Improvement programmes – £1,725k (FY 2021/22 - £2,025k); (previous indicative forecast from 2021-24 Business Plan -£1,290k)

Our improvement programmes help us deliver on our strategic priorities.

We will deliver five key improvement programmes in 2022/23, all of which are a continuation of those set out in our 2021/22 plan.



Following feedback from our members and the market, we have prioritised our previous nine programmes down to five – concentrating on those which will have the greatest impact on the market. The other four will be delivered as business as usual. See the Core Service Delivery section for more information.

A breakdown of budgeted costs by programme is provided in the next section: Our improvement programmes.

Comparing 2022/23 budget with our previous plan

In our 2021-24 business plan, we provided an indicative overall cost of our improvement programmes for 2022/23 of £1,290k. Our proposed budget is £435k higher than this, driven by three factors:

- **Bilateral Transactions Programme (increase of £740k)** - see deep dive
- **Strategic Metering Review (increase of £250k)** - our previous plan did not include costs for this programme as there was uncertainty as to how it would develop beyond year one and needed to be informed by the initial activities as part of the 'quick start' projects
- **CMOS modernisation (reduction of £460k)** - we have delayed the phasing of our CMOS modernisation programme by approximately six months to better spread the cost impact, with a focus on the CMOS rehost in 2022/23. The separation of key functions of CMOS into distinct microservices has also been shifted to later in the plan.

Bilateral Transactions Programme – cost increase deep dive

Following the delivery of the first bilateral processes, we have reassessed the programme costs for 2022/23. Costs for 2022/23 are budgeted at £1,010k - £740k higher than previously forecast.

Overall programme costs (spread across five years) are expected to be approximately 30% higher than the Full Business Case. However, our initial view indicates that benefits realisation is expected to be approximately 40% higher.

This increase in both cost and benefits, reflects the market-driven requests for the hub to provide greater functionality than assumed in the Full Business Case, in order to deliver more efficiencies for trading parties and, ultimately, customers. It also reflects the increased level of changes to bilaterals processes themselves as we move them to the hub, recognising that in many cases these processes were not fit for purpose.

In assessing the Bilateral Transactions Programme budget for 2022/23 we have applied three tests, all of which needed to be passed:

- **Ensuring we deliver the right product:** the increased costs we believe are required to deliver a product (both in terms of the hub and its processes) that is optimised and efficient and will ultimately drive benefits for customers
- **Ensuring it delivers against the business case:** the revised programme increases benefits as well as costs, thereby ensuring that the realisation of benefits and efficiencies remains in line with the Full Business Case and represents value for money
- **Ensuring it remains affordable**: the increased costs can be accommodated within an overall level of MO charges that is flat in real terms compared with 2021/22.

We will continue to apply these tests when assessing future requests from trading parties for additional functionality over and above what is assumed in our plan.

Forecast spend for 2021/22

We are forecasting to spend below our budget in 2021/22 by circa £300k (3%). This is driven by fewer code changes in the year requiring implementation in CMOS. Volumes are expected to return to more 'typical' levels in 2022/23.

After the finalisation of the 2021/22 accounts, we will engage the Strategic Panel and our members to assess whether we should retain any surplus as contingency funding for our 2022/23 improvement programmes – in particular, the Market Performance Framework, for which we have received early feedback from market participants and Ofwat that additional funding should be budgeted.

Our core service delivery

As the market operator for the non-household market our role is to be an excellent service provider to our members and wider stakeholders. Service Excellence is one of our strategic priorities through which we will provide simple and effective services that are easy to access. Our services are set out in the Market Services Framework. This framework sets out the four core service areas we deliver to our members; Market Operations, Market Assurance, Market Improvement and Governance and Support. Within these are the individual services to the market.

To ensure we are delivering our services in line with member expectations, we publish quarterly Key Performance Indicator (KPI) reports and request feedback from trading party Contract Managers on these services bi-annually through our Trading Party Survey. Using the results of the survey we engage with trading parties and develop action plans for areas of improvement.

Our core service delivery plan is focused on consistent, high-quality delivery at an efficient cost in line with our code obligations.

In our 2022-25 Business Plan we have rationalised our key improvement programmes and moved Market Governance, Cost to Serve Efficiency, Code Simplification and Channel Management into our 'business as usual' services as follows:

- **Market Governance** - This programme focused on supporting the principle of industry self-governance that delivers improvement and enables the market to develop for the benefit of customers. The implementation of Market Governance improvements was the focus of 2021/22. Following the Market Governance Review and subsequent changes to the Panel's purpose, composition, and structure through the establishment of the new Strategic Panel and Code Change Committee, ongoing improvements will be delivered within 'business as usual' activities. We will continue to work with the Strategic Panel to ensure market governance is efficient, transparent, and able to drive strategic change at the level and pace required.

MARKET SERVICES FRAMEWORK

- **Cost to Serve Efficiency** - This programme was targeted at driving down the cost of the core services that MOSL provides, as well as reducing the indirect costs of participating in the market. The programme aimed to deliver improved core service efficiency with a one-to-two-year payback. This programme remains key to our commitment to make it 'easier to do business' in the market. Following the development and implementation of the Investment Approval Board for gated approval of new programmes of work, activities will move to business as usual. We will continue to track, and reduce, the indirect costs for trading parties through our ongoing commitment to cost efficiency.

- **Code Simplification** – This programme focused on ensuring the codes are suitably adaptive to enable efficient change, facilitate innovation and lower barriers for entry to the market. As part of our 2022-2025 Business Plan, we will move away from any major re-architecting of the market codes and instead focus on the continued simplification of the market codes through ongoing changes. Major potential improvements to the codes will be addressed within the relevant improvement programmes, building on the approach adopted for the Bilateral Transactions Programme and avoiding duplication of effort within any centralised programme for code simplification. We will continue to focus on simplifying our supporting guidance around the market codes and transparency of code changes and the code change process.

- **Channel Management** – This improvement programme focused on making it easier for trading parties and other stakeholders to engage with MOSL and access our market services and will remain an ongoing commitment to our members. Following the launch of the new MOSL website in April 2021, we will continue to improve how members access our services through single sign on and the new query management tool. Whilst costs will remain associated to this programme, it will now be delivered as part of business as usual and will be tracked through our Investment Approval Board.

Our Cyber Security Managed Service (additional service in 2021/22) and the delivered Bilaterals processes will also form part of our core service delivery in 2022/23 onwards.

Our improvement programmes

Our 2022-2025 plan includes five multi-year improvement programmes that help to deliver on our strategic priorities.

These programmes are a continuation of the improvement programmes outlined in our 2021/22 plan. We are staying true to the course we set in this plan, with a focus on two key areas:

Our programmes address priorities raised by our members and stakeholders. These include the emerging issues highlighted by the pandemic and the increasing environmental pressures around the climate emergency. Our plan rationalises our previous nine programmes down to five with the remainder transitioning into 'business as usual' within our core services.

Making it easier to do business

Enabling timely, accurate meter reads

Our five improvement programmes are:

Bilateral Transactions Programme: In our 2021/22 business consultation, members told us that nothing should detract from the delivery of the Bilateral Transactions Programme. Following the launch of the Bilaterals hub in September 2021, we will complete the delivery phase in 2022/23. Implementing more and improved processes in the hub will deliver substantial improvement to wholesaler-retailer interactions (removing market friction) and better outcomes for customers in the timeliness and efficiency of the service they receive

Strategic Metering Review: In our 2021/22 business consultation, metering was identified as a high priority and seen as an enabler for a successful market. Recognising the criticality of accurate and timely meter reads, this improvement programme builds on the momentum of our 2021/22 activities (including metering technology and roles and responsibilities) and the work of the new Metering Committee

Data Insight: In our 2021/22 business consultation, data insight was seen as the foundation of other programmes of work set out in our plan. Building on our 2021/22 plan, this improvement programme will help to tackle poor data quality (removing market friction) and deliver improvements in data governance, quality, and insight

Market Performance Framework: In our 2021/22 plan we set out a small-scale change to the Market Performance Framework (MPF). This was not an improvement programme in its own right. Following feedback from our members and through various forums, MOSL is proposing a more extensive overhaul of the framework to ensure it incentivises the right outcomes for customers. This programme incorporates a design phase in 2022/23 with implementation in 2023/24. The new framework will focus on improving tangible customer outcomes and wholesaler performance (removing market friction)

Modernisation of Systems: Our systems modernisation programme in 2021/22 focused on the delivery of the Bilaterals Hub and a new data warehouse. The data warehouse was delivered two years earlier than planned, using our improved internal capability and our Microsoft Azure infrastructure. It is a key enabler for the step change in our market insight and improved reporting which we have started to deliver in 2020/21. It could also be a key enabler for a central data cleanse service. In 2022/23 this programme will focus on the modernisation of CMOS, in line with our technology roadmap. However, recognising members' feedback and the cost pressures trading parties are facing, we have deferred the delivery phase of this improvement programme by around six months to better spread the cost of the programme for members. The move to a modern cloud-based architecture will take place in 2023/24 following the rehosting of CMOS which starts in 2022/23. Moving to this target architecture will improve the cost and speed of CMOS changes, through a reduction of overheads (with benefits starting in 2023/24) and will reduce the associated risk of making these changes.

Breakdown of improvement programme cost budget (2022/23) and forecast (2023/24 and 2024/25)

The table below sets out the budget for our improvement programmes in 2022/23 together with the forecast cost for these programmes in the following two years.

In budgeting for these programmes, we recognise that they must deliver strong net value to the market in line with the market priorities outlined by our members and wider stakeholders. All programmes must go through and be approved by our Investment Approval Board.

Costs for 2023/24 and 2024/25 represent our current forecasts based on what we expect to deliver within these programmes. The total cost profile for existing programmes reduces over these years as we deliver on the planned scope. However, these plans will remain flexible dependent on the need to add new activity or programmes of work.

Given the ongoing challenges the market faces we believe we will continue to need central investment at this level. We expect that further programmes and activity will be required and our high-level indicative view is that programme costs would remain at the same level as 2022/23.

Programme	**Budget 2022/23 £'000**	Forecast 2023/24 £'000	Forecast 2024/25 £'000	Comments
Bilateral Transactions Programme	**1,010**	-	-	Programme completes in 2022/23 and then run costs delivered through core services
Strategic Metering Review	**250**	150	150	Core programme delivery team forecast for all three years, with additional budget to support external strategic reviews in 2022/23
Data Insight	**100**	100	100	Budget for 2022/23 is to deliver three to four initiatives from the data strategy with a similar profile expected for later years. Excludes funding for potential central data cleanse which would not be through MO charges
Market Performance Framework	**100**	100	-	Budget relates to external costs to support design (2022/23) and then implementation (2023/24) of a revised framework
CMOS modernisation - phase one	**265**	225	(115) net saving	Delivery completed in 2023/24 and starts to deliver some benefits (circa £50k), with full year benefit in 2024/25
CMOS modernisation - phases two and three	-	375	225	Delivery phasing moved back a year to follow CMOS rehost to the cloud
Total Funded through MO charges – existing programmes and plans	**1,725**	**950**	**360**	**Forecast for later years only covers existing programmes and plans – lower spend in later years**
Potential new programmes and activity **– headroom to allow for additional investment if approved in future business plans**	-	775	1,365	Headroom built into plan to incorporate new programmes and activity in future years
Total Funded through MO charges – indicative level including new activity	**1,725**	**1,725**	**1,725**	**Indicative view – improvement programme spend to remain at same level as 2022/23**

Our Improvement Programmes

Bilateral Transactions Programme

The Bilateral Transactions Programme is one of our key multi-year improvement programmes.

Its primary goal is to improve the reliability, speed and quality of service that wholesalers and retailers provide to customers by significantly enhancing the way in which wholesalers and retailers interact.

We have made significant progress in the delivery of the programme in 2021/22. Following extensive collaboration between Ofwat, MOSL and trading parties, the market has adopted its first industry-wide processes and launched a new, central market hub to manage bilateral processes.

The first processes being managed are the meter supply point verification (C1) processes, which are the most common processes in the market – equating to more than 17,000 transactions in 2020/21. We are on track to have the next eight bilateral processes and eight supporting processes ready for adoption by May 2022, in line with our plan and as agreed with trading party working groups.

In developing the hub, we have reviewed and redesigned the first prioritised processes, increasing their visibility and measurability both at an individual company and market level. This provides information that can be used to more effectively measure performance, identify issues, and drive further efficiency in the market.

At the request of trading parties, we have also built a number of new functions to improve the effectiveness of the hub for users, for example, the introduction of a Service Level Agreement (SLA) dashboard to help users to manage requests more effectively.

Changes to redesign the processes and provide additional functionality have meant that more work has been required than we assumed in our previous business plan. Costs to date have been higher than our budget and will be again in 2022/23 – total programme costs are expected to be circa 30% higher than the Full Business Case (FBC).

The FBC identified 15 potential financial benefits, which were grouped into three categories: resource efficiencies, direct cost savings and performance improvements.

Our initial benefits analysis is extremely encouraging. We are confident that the C1 processes are delivering efficiency savings for the market that are substantially above our 'mid-case' assumptions in the FBC – benefits are 40% higher than the business case in our initial analysis.

As use of the hub has increased over time, we have analysed a larger sample set of data. This data supports our initial analysis, with previously assessed benefits still being delivered, or in some cases exceeded. For example, our initial analysis showed that rejected transactions reduced from 19% to 6% following the introduction of the hub. This has changed to 4% in the latest data, saving trading party time and increasing the speed in resolving issues for customers.

Whilst costs are higher, we believe that our revised plan will provide the right product for the market and deliver benefits that 'pay back' the investment over the same or a shorter period than set out in the FBC.

What we will deliver in 2022/23

The meter supply point verification processes already adopted will become the blueprint for future processes in terms of usability and functionality. As we move into 2022/23 our aim is to continue developing additional functionality (where supported by trading parties) for the hub and processes, to ensure they are fit-for-purpose and future proofed.

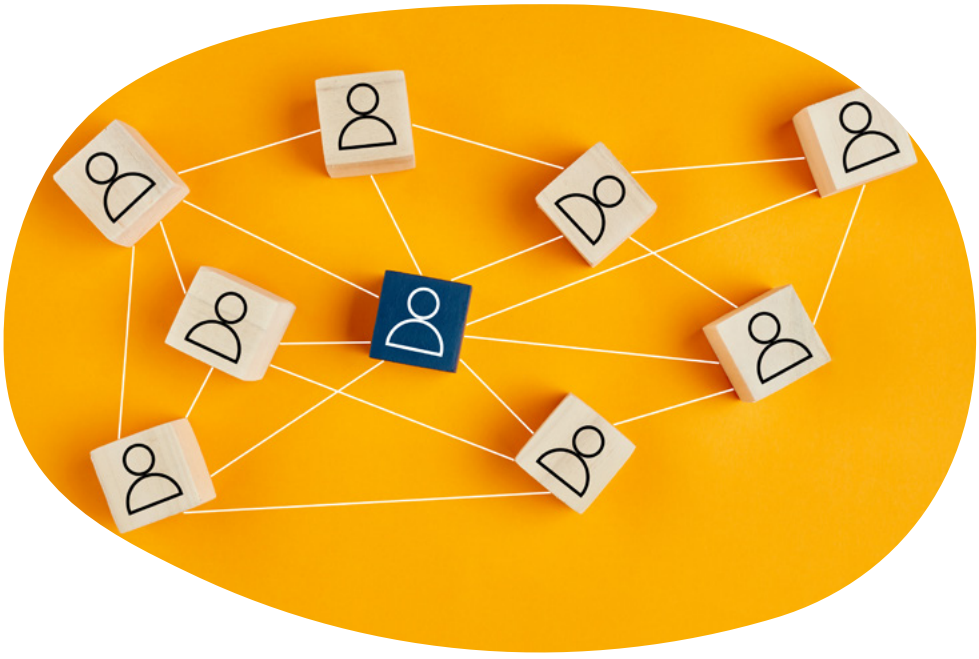
Where additional work is identified, we will seek member approval from budget holders and clearly outline costs prior to any design work taking place. We will apply the same three tests that are set out in the Budget section of this Business Plan thereby ensuring all additional work delivers the right product, overall affordability and maintains the business case net benefits.

The programme will deliver a further 33 processes through a phased approach between May and November 2022. These include gap site identification, supply point deregistration and trade effluent consent. The full programme plan can be viewed on our website here.

As we deliver these processes, we are considering how we build the hub so that it will be able to meet future needs from the Market Performance Framework programme.

Once these processes have been fully adopted, the delivery programme as defined within CPW070 will end. At this stage, the hub will cover the vast majority of processes, providing a more efficient workflow process and improved visibility of performance.

Management of the bilaterals hub will then transition to our core service delivery by March 2023, becoming part of 'business as usual'. We will continue to assess the value of building very low volume processes into the hub, but we currently expect that, should such processes be added, this would be in a more generic and standardised format.



Strategic Metering Review

The availability of accurate and timely consumption data is fundamental to the efficient operation of the market and to delivering the best outcomes for customers and the environment. Business customers have consistently told us that they are unable to focus on water efficiency, as they are unclear on their water usage.

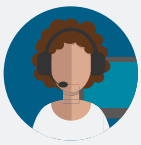
This ultimately comes down to being able to find and read a meter and transferring the data into the central market system, the success of which benefits all stakeholders – particularly customers.

The Strategic Metering Review is one of our key multi-year improvement programmes. It will address the issues that are hampering effective metering in the market, from operational to strategic issues relating, for example, to ownership and responsibilities for key processes and how enhanced metering technology is deployed.

In 2021/22 our 'quick-start' projects continued to gain momentum. Each project aims to tackle a specific meter-related issue including reducing the number of readings being rejected by CMOS; allowing more customer provided reads; improving meter technology codes/designation in CMOS; standardising lists of codes to use when logging why a meter is 'hard to read', through to establishing data sharing agreements that improve the availability and use of data across the market.

We have also begun analysing the role enhanced technology could play in the non-household market, with a view to developing a metering technology strategy and related guidance to support trading parties in their Water Resource Management Plans (WRMP) and PR24 submissions.

The Metering Committee, which was established in 2021, with representatives from wholesalers, retailers, CCW and Ofwat, will actively help drive the Strategic Metering Review by sponsoring and leading programmes of work.

	**Customer**	• **Accurate, timely bills** • Improved **understanding of financial & environmental impact** • Opportunity to **reduce consumption** • **Drive reductions in leakage** and/or wastage • Improved ability to **benchmark** • More informed **selection of retailer**	**Benefits spill over into domestic market**
	**Retailer**	• More **accurate settlement** and **reliable cashflow** • **Accurate consumption-based bills** (rather than estimated} • Ability to deliver **targeted services & interventions** • **Reduced meter reading costs** • **Fewer complaints/disputes** • **Improved confidence** taking on customers • Opportunities to **develop innovative tariffs**	
	**Wholesaler**	• **Improved supply/demand balancing** and leakage detection • Accurate **settlement with retailers** • **Clear view of per capita consumption** • Improved **customer load profiling** for improved hydraulic modelling • Better **water efficiency** and understanding of **water usage**	
MOSL MARKET OPERATOR SERVICES LTD	**Market Operator & others**	• Accurate and effective **performance management** • Accurate **charges calculations** • Value-adding analysis & insight to drive **evidence-based improvements** • **Reduced unplanned settlement** (reduced cost and effort)	

What we will deliver in 2022/23

In 2022/23 we will work with trading parties to implement the options and improvements we have identified through the 'quick start' projects and strategic themes (roles and responsibility and metering technology). The timing for this work will be critical, given the opportunity for a coordinated market-led approach to PR24 and the Retail Exit Code (REC) review.

We will also review and address the challenges created by the current meter-related roles and responsibilities, considering a range of alternative models for:

- Meter assets, operations, and maintenance
- Meter reading
- Additional (or add-on) technology
- Meter and consumption data and related data sharing arrangements

We will define an assessment framework, evaluate options, and provide recommendations for changes that we believe will deliver significant benefit for the market in relation to current roles and responsibilities. This will include an initial view on financial implications for trading parties and an assessment of potential 'unintended consequences' or blockers to change. We will then develop a plan to review shortlisted options which are supported by the market.

Alongside a review of roles, responsibilities, and ownership, we will continue to deliver a programme of operational improvements, focused on addressing current market pain points and improving the availability of accurate and timely consumption data.

The Metering Committee will determine the order in which focus areas will be addressed. For example:

- Reviewing the performance requirements for reading the 8,454 non-market sub-meters and assisting with Market Performance Framework (MPF)-related outcomes
- Understanding and reviewing the requirements for trade effluent meters in the market
- Providing customers with secure access to their data held in CMOS, including fixed asset data
- Defining the criteria to determine when a property is 'unmeterable', i.e., cannot have a meter installed
- Reviewing the different Automatic Meter Reader (AMR) protocols with a view to determining whether a single reading interface could be produced
- Developing a data standard for information collected from meters using different technology types
- Demonstrating how granular data could be used to define continuous flows and determine wastage and leakage at customers' properties, including reviewing new technology to identify customer leakage
- Reviewing the frequency of meter readings based on the findings from Ofwat's decision on change request CPW118.

The Strategic Metering Review will work-in-hand with the reform of the Market Performance Framework, the Bilateral Transactions Programme and our commitments on data quality and insight. The focus in years two and three of the business plan will be to implement the identified changes in ownership, responsibilities, and technology.

Modernisation of Market-Facing Systems

Our central market operating system (CMOS) plays an integral role to the functioning of the market. The system has been in its current form since the market opened and, like any system, it has a shelf life. Our systems strategy developed through 2020/21 has considered how we modernise CMOS to better meet the long-term needs of the market and ensure it remains 'fit for purpose'.

Our modernisation programme will move us to a new system architecture in a series of phases over the next three years and beyond. This approach will be lower risk, deliver benefits earlier and cost less than a full system replacement in a few years' time. The approach we are taking allows the phased modernisation of priority functions and services (e.g., settlement) to improve the cost and speed, and reduce the associated risk of changes. This is in line with the technology strategy (due to be published in February 2022) that has been developed through 2020/21.

Over the last 12 months, we have significantly improved our cyber security maturity from a technology, people, and process perspective - reducing our associated risk profile. However, there remains a real and developing cyber threat and it is crucial that MOSL is able to identify and respond to cyber incidents in a timely and effective manner. As a small organisation, building an in-house Cyber Security team is neither practical nor efficient. We have, therefore, been working with a cyber security partner to define and implement a comprehensive Cyber Security Operations Centre (CSOC), that provides cyber threat monitoring and incident response capability, with access to additional specialist resources, as required.

Having made significant progress in 2020/21 with the delivery of the Bilaterals Hub, a new Data Warehouse and upgrades to the Medium Volume Interface (MVI), the next crucial step in this programme is the modernisation of the Central Market Operating System (CMOS).

What we will deliver in 2022/23

Migrating to a modern cloud-based architecture is the first and most fundamental step in the modernisation of the market systems in 2022/23. Transitioning towards the target architecture of discrete functions and services will unlock the following benefits:

- Reducing the total cost of ownership, including reduced hosting/service costs of over £100k per annum (and enabling future developments that drive further efficiency)
- Increasing the scalability of the market systems, providing additional "burst" capacity for key events, such as the Interim Supply Allocation (ISA) process
- Supporting the extension of our data analytics capability, providing improved insight to support data-driven decision making
- Supporting the introduction of a single MOSL account (single sign-on) and the use of trading parties' own active directory accounts
- Move to technologies which are widely used and understood in the wider IT services sector, providing flexibility to engage other delivery partners in the future and making it simpler to enable widespread integration with the CMOS database
- Further improving the resilience and flexibility of our core market systems by separating ownership of infrastructure and application
- Improving the CMOS user interface

The migration is expected to take approximately six months and will coincide with the defined CMOS release dates such that the impact on change activities is minimised. It will be split across 2022/23 and 2023/24. The migration of the non-production environments will take place in 2022/23 and in the live environment in the first half of 2023/24. An illustrative plan is provided below.

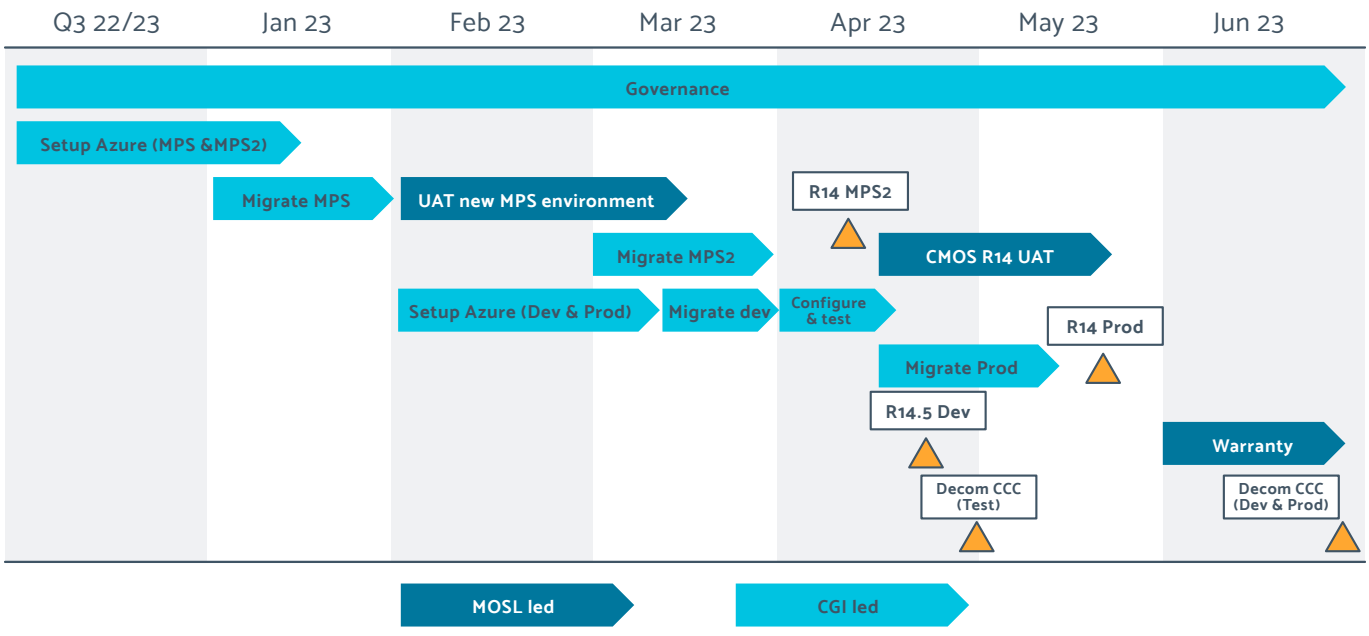


Figure 1: Illustrative Migration Plan

Data Insight

All market participants recognise that reliable data is critical to the success of the market and delivering outcomes for both customers and the environment. In order to deliver water efficiency in the market and support wider sector goals, such as Net Zero and water demand reduction targets, it is essential that we have reliable, good quality data in the central system that we are able to draw insight from.

Poor data quality drives significant indirect cost for trading parties, with over £10m per year spent on resource to manage, maintain, or work around data quality issues. The market also spends in excess of £8.5m per year on meter reading, yet we continue to see a large percentage of failed or rejected meter reads, with around 20% of meters having not been read for 12 months or more.

Poor quality data is also hampering trading parties' ability to operate efficiently and to deliver a quality service to their customers.

The Data Insight improvement programme seeks to address the causes of poor-quality data and develop tools to access, analyse, cleanse, and enrich this data. This programme will identify how we can enhance our current data analytics capabilities and overlay market data with publicly available datasets to provide greater data insight and support in areas such as water efficiency and leakage reduction.

In 2021/22 we have delivered a step change in the data analytics and insight we provide to the market. This includes the delivery of a new data warehouse and a range of interactive dashboards and reports. This increased focus on data has afforded a better understanding of the market and its customers, and the role they can play in water scarcity challenges and environmental targets e.g., reaching Net Zero).

The value of this analysis, however, is heavily dependent on the quality of the data that sits beneath it. We have made significant progress with the introduction of the Core Market Data Improvement Plan, creating for the first time a mandate on data quality. We are also working in partnership with trading parties on the development of a Market Data Strategy, outlining a consistent approach to how data will be managed and governed in the market.

What we will deliver in 2022/23

We will extend this programme of work in 2022/23, with a continued focus on better understanding and sharing data on customers, consumption and associated carbon usage with market stakeholders, specifically trading parties, Ofwat, Defra and other industry groups such as the Retailer Wholesaler Group (RWG) water efficiency sub group. Additionally, this could support future forecasting for non-household demand, which is currently assumed to be flat until 2030.

There are currently significant issues with the central market data held in CMOS. We see issues with completeness, format and accuracy. For example, the Unique Property Reference Number (UPRN - the most basic building block to reliably identifying a property and then building out a view of the business operating at that property) is missing for almost half of all premises in the system.

Moreover, where data is complete, we have no way of determining the accuracy of that data.

In 2022/23 we will deliver further improvements, with the ultimate priority to be determined by the Market Data Strategy, which we will publish in February 2022, aligned to our wider business plan commitments and ongoing collaboration with the Technology Advisory Group (TAG). This will include:

- **Cost and value of data:** improving our understanding of how the market cost of managing data can be reduced, as well as how to maximise the potential value of market data
- **Market data governance:** building on the market codes, and in collaboration with trading parties, to develop a data governance model to reduce unnecessary complexity and address potential mismatches in data ownership
- **Data and analytics roadmap:** publishing a three-five-year view of how data and analytics will be used to uncover risks, issues and opportunities in the market, including a detailed view of data service deliverables for 2022/23
- **Data services and market insight:** continuing to mature our data insight and analytics capabilities. Using improved data service offerings to support data initiatives, including market-wide data cleanse and enrichment; reducing the cost of operation and managing data; enabling the market to identify issues and opportunities through data (including combined analysis of bilaterals and CMOS data); and supporting evidence-based market improvement
- **Open data and data sharing:** improving data access across the market, identifying mechanisms for sharing "big data" (e.g., granular consumption data) and defining an outline open data strategy for the market aligned to Ofwat's H2Open Data strategy.

Data cleanse – proposed additional activity funded separately from our core business plan

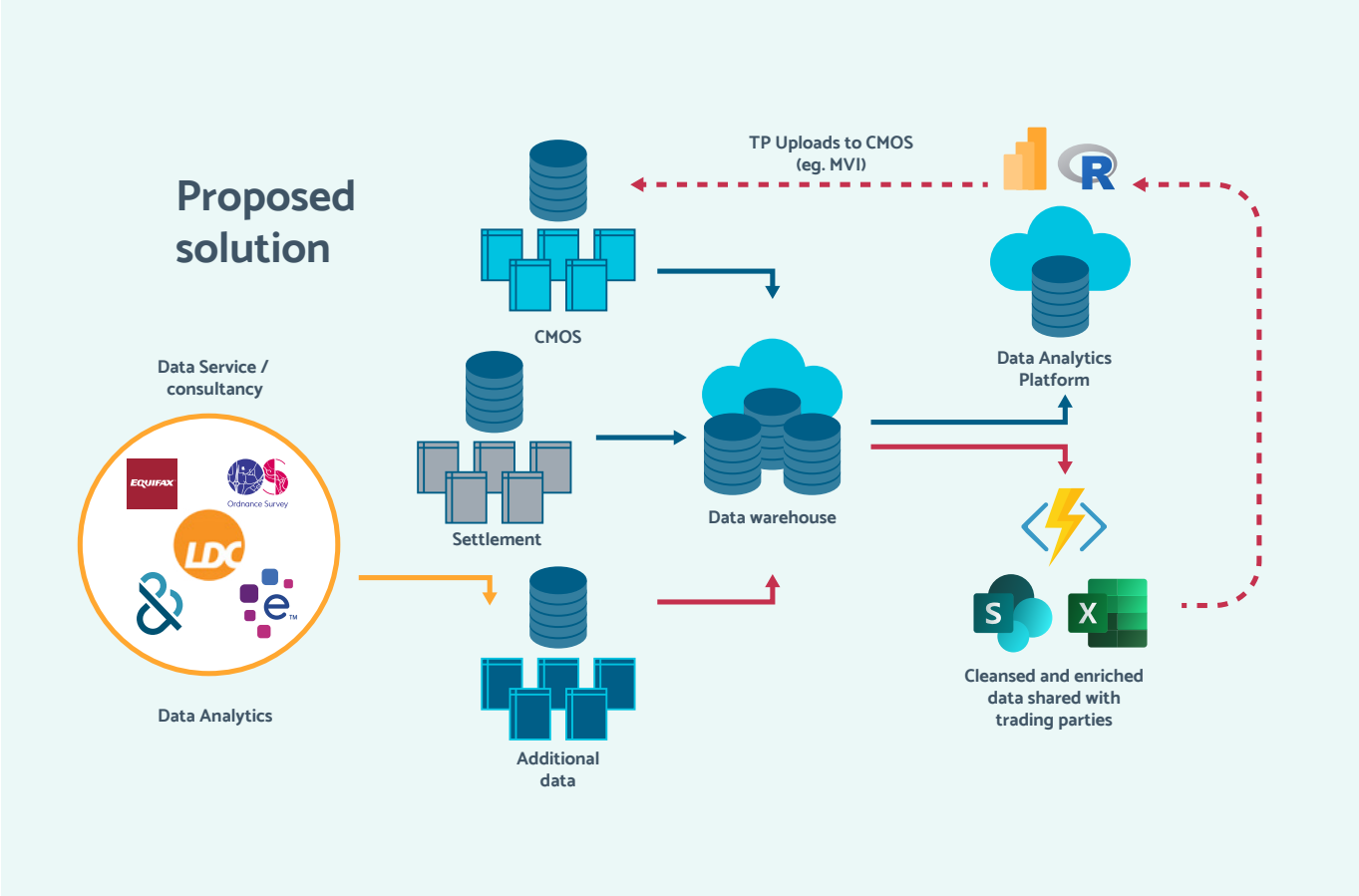
Almost five years into the market, we also have an opportunity to materially improve the quality of market data through the provision of a central data cleanse and enrichment service. Adopting a 'fix from centre' approach will deliver improvement more efficiently and consistently, and at a greater pace.

We can use the data warehouse established in 2021/22 in combination with a data service provider to match, cleanse and enrich market data and make this available to trading parties. As the data owners, trading parties could then update CMOS and their own systems with this cleansed data.

This is a new activity that MOSL could potentially deliver. It is separate from our proposed core business plan that we will be seeking member approval on. Funding for this activity is therefore not included in our proposed 2022/23 budget.

We are engaging trading parties to explore different funding options that could enable this activity to proceed, for example, the potential use of market performance charges. Any proposed funding mechanism would likely require changes to the market codes. This process would include formal consultation with trading parties.

Our current indicative timeline is to work with trading parties on the development of a proposed funding route for consultation in the first quarter of 2022/23.



Market Performance Framework Reform

The current Market Performance Framework (MPF) was established when the market opened. Its stated aim is to "mitigate and manage the risk of non-compliance". The current measures provide a view of specific steps in market processes and offer insight on whether tasks are being completed on time. However, there is evidence that the current framework does not always lead to improved outcomes for customers or the environment.

We believe that an effective framework should be outcome based and put customer outcomes first, rather than be compliance driven.

In 2021/22, we have been developing our thinking on the future of the MPF in partnership with Market Performance Committee and its MPF Review working group. The working group strongly believes that a future framework should provide assurance to market stakeholders that risks to the achievement of key market outcomes are being proactively addressed by:

- Aligning the incentives of trading parties with those of non-household customers to ensure the market delivers outcomes that benefit current and future customers
- Effectively incentivising and rewarding trading party performance where it leads to a positive customer experience or outcome
- Ensuring there are appropriate mechanisms to deter, detect and remedy issues when they arise.

What we will deliver in 2022/23

Feedback from stakeholders (including the Panel, Strategic Panel and our members) indicates strong support for a 'root and branch' reform of the MPF. This will consider a range of options, not beholden to the current framework, for effectively incentivising the right outcomes for customers, the market, and the environment.

This work is a continuation of the holistic Market Assurance programme outlined in our previous business plan. It follows our commitment to take a risk-based approach that moves away from tactical changes to the Market Performance Framework and remains consistent with the milestones we outlined in 2021/22, to develop improved measures and incentives that focus on customer outcomes through 2022/23 with implementation of monitoring in 2023/24.

To achieve this, we will deliver the reform in two phases.

Phase one – Developing the framework by summer 2022

Phase two - Detailed design and implementation of target MPF measures and tools through 2022 and 2023

Phase one – Developing the framework by summer 2022

Phase one of the MPF Reform will identify the preferred model for the framework; the principles that will underpin its operation; and the areas of the market rules on which it will focus.

Work on this has already started, being led by the MPF working group, and will be informed by feedback gathered on key market outcomes from our Call for Input (due to be published mid-January). The market risk and issues register (draft to be published in March 2022) will be used to inform the focus of the MPF. This phase will consider, and propose, illustrative options for different types of performance framework to best mitigate risks and support delivery of desired outcomes. This may support the development of a reactive framework based on a small number of highly incentivised key measures, or a broader mix of measures, audits and rectification mechanisms to help ensure identified issues are corrected and addressed.

B-MeX

The Market Performance Committee established a sub-group to develop an approach for a business measure of experience (B-MeX) to monitor consumer views of the services provided by wholesalers (e.g. in relation to meter investigations and replacements). Just as the Retailer Measure of Experience (R-MeX) is part of the current MPF, there is potential for B-MeX to form part of the future MPF. Consequently, this work will be considered in a coordinated way as part of the MPF Reform.

Phase two - Detailed design and implementation of target MPF measures and tools through 2022 and 2023

Phase two of the MPF Reform will comprise the detailed design and implementation of the preferred MPF model. This will include the development of specific measures, performance standards, and associated incentive mechanisms, as required. We anticipate the work on these elements will be completed in 2022/23 to enable implementation in 2023/24.

We have made some provision in our 2022/23 budget to fund the engagement of economic expertise to support this fundamental reform. Additional funding for the review could be sourced from the core service budget (relating to implementation of code changes), but this would require a clear business case, and prioritisation of this work could impact our ability to deliver other demand-driven change work through 2022/23. Alternatively, we are forecasting to spend less than our 2021/22 budget and will engage with members to assess if an element of this underspend should be retained as a contingency for this programme in 2022/23.

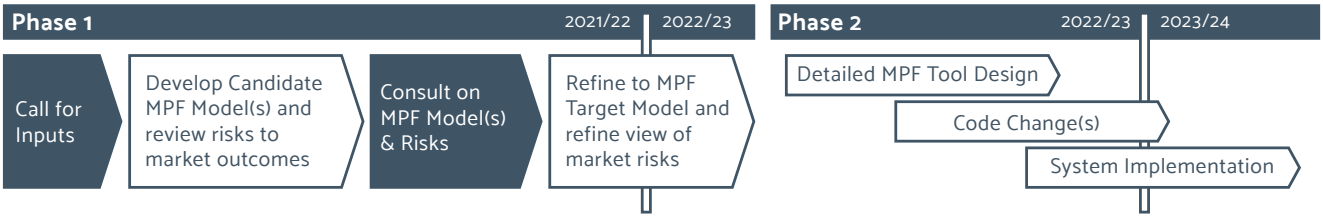
We will continue to engage stakeholders, including through consultations, to gather feedback as work progresses.

Operating the current MPF

While the review is underway, we will continue to operate the existing MPF. Our approach utilises the flexibility afforded by the current market code provisions to create and monitor Additional Performance Indicators (APIs).

Building on the APIs we launched in 2021/22, we will continue to work with the Market Performance Committee through 2022/23 to adopt an appropriate blend of measures through our new Holistic Reporting.

More information on this approach is set out in the Market Performance Operating Plan (MPOP) section.



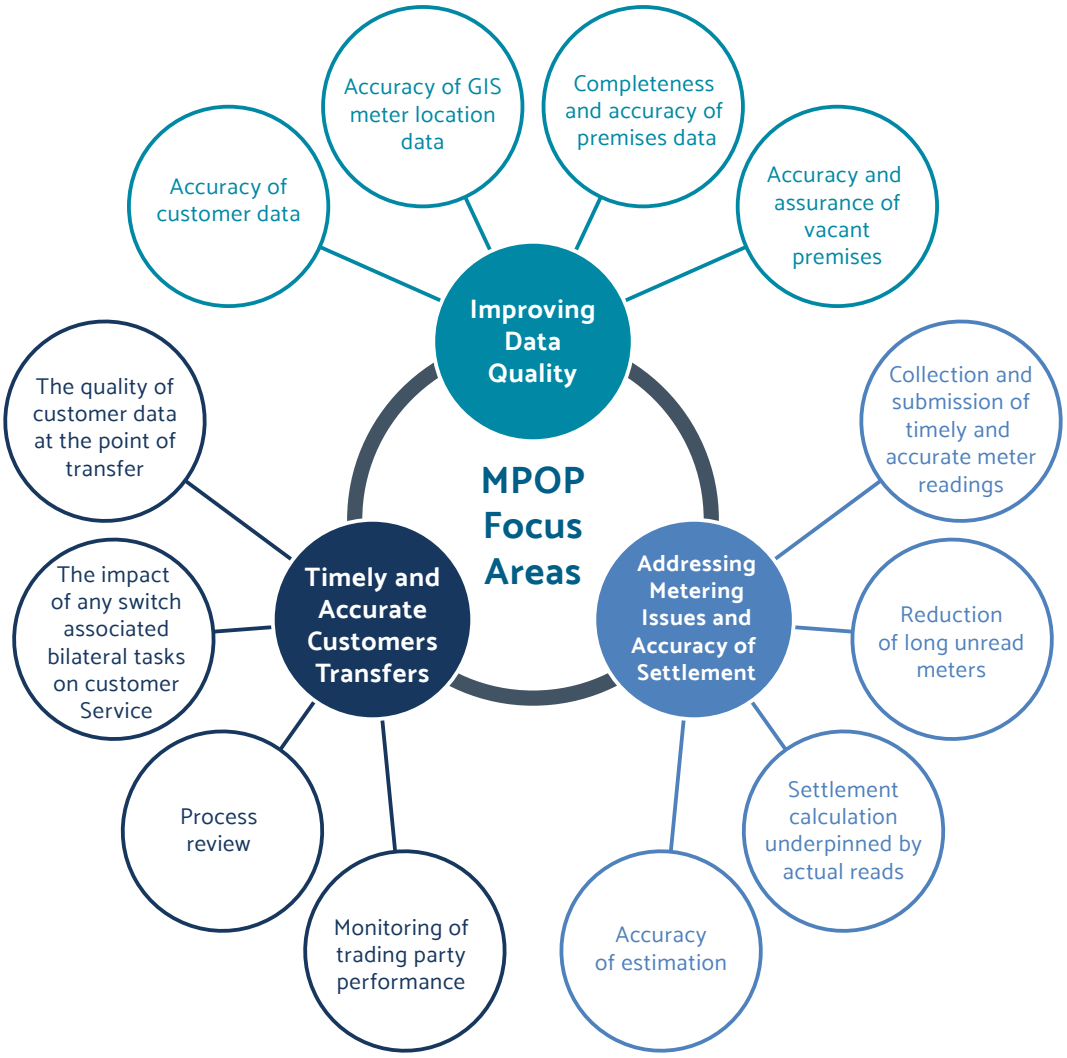
The Market Performance Operating Plan

Following feedback from trading parties that the call on their resources to respond to multiple consultations is too high, we set out proposals within the Market Performance Operating Plan (MPOP) 2021/22 consultation (issued in June 2021) to reduce this time for trading parties. This included proposals to:

- Extend the 2021/22 MPOP commitments by 12 months to also cover 2022/23
- Incorporate the key activity from this MPOP into MOSL's Business Plan
- Commence MPOP planning for 2023/24 in Q3 of 2022/23, integrating it with the building of the next Business Plan

Responses to the consultation were unanimously in favour of these proposals. As such, we have made the decision to incorporate the MPOP into our wider Business Planning cycle, ensuring alignment with MOSL's other improvement programmes and avoiding potential duplication.

The 2021/22 MPOP activity is summarised in the diagram below. All of the activity will be delivered across three of the improvement programmes within our Business Plan - Data Insight, the Strategic Metering Review and the Market Performance Framework Reform.



Holistic Reporting

Evidence has shown us that adherence to the current set of Market Performance Standards (MPS) and Operational Performance Standards (OPS) is not necessarily leading to the level of improvement needed in the above key areas.

As outlined in the 2021/22 MPOP, we have been working with the Market Performance Committee (MPC) to introduce Additional Performance Indicators (APIs) more aligned to customer outcomes. These have been developed into a set of holistic measures that complement the current performance standards and will enable the MPC to prioritise rectification based on areas of poor performance with greatest detriment to customers. These APIs include:

For retailers

1. **Retailer meter reading:** The timely completion of meter reading tasks, covering transfer reads and cyclic reads and MPS 16, 17, 18 and 19. This is measured by calculating the sum of all tasks completed, on time, over the three-month period for the four standards as a percentage of all tasks completed over the three-month period for the four standards

2. **Percentage of long unread meters (LUMs):** A LUM is a meter which has not been read for more than 12 months. This is measured by the number of LUMs, as a percentage of all meters managed by the retailer

3. **Percentage of vacancy with consumption:** Vacant premises where the level of consumption is above the minimum level of consumption that can be accurately measured. This is measured by the number of vacant premises with consumption, as a percentage of all premises managed by the retailer

4. **Percentage of data quality**: Occupied premises where customer name data is missing or non-specific. This is measured by the number of occupied premises with no name, as a percentage of all premises managed by the retailer

5. **Settlement based on actual reads:** The percentage of actual reads underpinning the settlement in the calculation for the first, third and final reconciliation runs (R1, R3 and RF). This is measured by calculating the average percentage of actual reads within the last three months.

For wholesalers:

1. **Percentage of long-term vacancy (LTV):** An LTV is defined as a premises vacant for six or more consecutive years with no identifiable consumption. This is measured by the number of LTV premises, as a percentage of all premises by the wholesaler

2. **Legacy long unread meters (LLUM):** A LLUM is defined as a meter that had not been read since market opening. This is measured by the number of LLUMs, as a percentage of all meters managed by the wholesaler

3. **OPS metering and verification:** Operational performance standards which capture essential source data on metering (OPS B1a, B3a, B3b and B5a) and verification (OPS C3a and C4a and the newly introduced C1 process in the Bilaterals hub) standards. This is measured by calculating the sum of all tasks completed on time over the three-month period for the seven standards as a percentage of all tasks completed over the three-month period for the seven standards

4. **OPS customer service and disconnection:** Operational performance standards which capture essential source data on customer service (OPS F5a, F5b and H1a) and disconnection (OPS I1a and I1b) standards. This is measured by calculating the sum of all tasks completed on time over the three-month period for the five standards as a percentage of all tasks completed over the three-month period for the five standards

5. **MPS new connections and meter reads:** Market performance standards which capture essential source data on new connections (MPS 3 and 5) and meter reads and submission (MPS 9, 10, 12, 13 and 14) standards. This is measured by calculating the sum of all standards incurred over the three-month period for the seven standards as a percentage of all standards incurred over the three-month period for the seven standards

6. **Unique Property Reference Number (UPRN) completeness:** The percentage of premises which have no UPRN data. This is measured by the number of premises without UPRN data, as a percentage of all premises by the wholesaler

7. Valuation Office Agency (VOA) reference number completeness: The percentage of premises which have no VOA data. This is measured by the number of premises without VOA data, as a percentage of all premises by the wholesaler

8. Geographic Information System (GIS) meter location coordinate issues: Supply points that strongly indicate inaccurate/erroneous GIS coordinates. This is measured by the number of meters that may have GIS issues, as a percentage of all meters managed by the wholesaler

9. The Retailer Measure of Experience (R-MeX) survey: This is an annual retailer survey that provides a quantitative measurement of wholesaler service to their retailer(s). This is measured by taking the R-MeX overall score by wholesaler from the latest survey.

We published the first set of Holistic Reports in October 2021, enabling trading parties to view their individual performance. The fully benchmarked Holistic Reports (enabling trading parties to see the performance of their peers) will be published in February 2022. We will use the feedback we receive from these reports to inform ongoing holistic reporting from April 2022.

What we will deliver in 2022/23

The MPC will use this reporting to undertake monthly monitoring of performance to review:

- Individual trading party issues - where performance falls below accepted standards and rectification action may be required
- Market-wide issues - where changes need to be considered to drive market improvement or address specific issues or 'pain points'

Stakeholder engagement and consultation

Consulting with our members is a key part of our business planning process. It is essential that we develop a plan that addresses key market frictions and is aligned to the improvement our members want to see and at the pace you want to see them.

As part of our business planning process, we are required to consult on our draft plan with the industry Panel and seek formal approval of our one-year budget from members. For full transparency, and to ensure we retain a 'no surprises' approach to our business planning, we actively consult with our trading party members in advance of publishing the final plan.

This year, we have undertaken comprehensive and proactive discussions with the Panel in advance of this plan being presented to trading party members. This has ensured a critical eye with representatives from across our membership and key stakeholders, including Ofwat and CCW.

In November, a draft of the plan was issued to the Panel for formal consultation (17 November – 14 December). In its formal response letter, the Panel stated that, overall, it is supportive of MOSL's business plan and budget for 2022/23, but notes "concerns regarding sufficient funding provision in some areas such as the Market Performance Framework Reform". Although mindful of the current economic challenges, Panel members recognise the importance of improving customer outcomes and the desire to see greater innovation to tackle arising market challenges – including those highlighted by the ongoing pandemic and the increasing climate change emergency.

In relation to our proposed improvement programmes, the Panel believes the Strategic Metering Review and Market Performance Framework (MPF) Reform should have the same focus in 2022/23 as the Bilateral Transactions Programme, for their equal importance in addressing market frictions. It also recognises the criticality of the proposed data cleanse activity but questioned its legitimacy as a "core Market Operator activity" – noting the additional funding options available outside MOSL's business plan.

Lastly, the Panel asked us not to lose sight of the Panel Effectiveness Review recommendations and endorsed a revised business-as-usual approach to code simplification. The Panel's response letter can be viewed here.

On submitting its response, the current Panel Chair (and new Chair of the Strategic Panel), Trisha McAuley OBE, said "The Panel and I welcomed the opportunity to comment on MOSL's 2022-25 Business Plan and would like to thank MOSL for its engagement in the early stages of its business planning process. We support the improvement programmes outlined and welcome MOSL's drive for efficiency and commitment to keep costs low for its members in light of the challenging economic environment. As the Panel transitions to the new market governance structure, I look forward to continuing to work closely with MOSL as we define the market priorities and what is needed to resolve them, at the appropriate scale and pace."

We will continue to engage the Strategic Panel as we publish the final plan for member approval in February.

The consultation with trading party members will run from 11 January to 25 January. We will then review and collate responses and incorporate feedback, where required, prior to publishing the final plan for member approval. The final 2022-25 Business Plan will be issued to on 8 February and member voting on the plan will run until 25 February.

We appreciate your feedback on our draft plan. For consistency, we have retained some of the same consultation questions from our 2021/22 Business Plan.

We ask that all responses are submitted through the online platform. See the next page for the consultation questions.

Consultation questions

We would like to encourage you to respond to our consultation to ensure that the final plan is reflective of market priorities over the next three years.

We are consulting specifically on the cost of our Market Operator (MO) charges and the phasing and focus areas of our proposed improvement programmes. This consultation is formed of four questions and should take no longer than 15 minutes to complete. If you experience any issues accessing or completing the consultation, please email comms@mosl.co.uk.

Please note that we are only seeking member approval on the year one (2022/23) budget. Costs for years two and three are indicative. We will take on board feedback from the consultation prior to publishing the final plan on 8 February for member voting.

The business plan aims to drive efficiency in order to reduce the cost of delivering core services as well as phasing the improvement programmes to reduce the cost impact on year one. This enables us to keep Market Operator charges as low as possible with a proposed increase of 2.9% to £11,400k for 2022/23, below the expected level of inflation.

Q1
Are you supportive of the overall level of MO charges proposed for 2022/23?

The business plan sets out a three-year roadmap for improvement and delivery of MOSL's strategic priorities through five key improvement programmes.

Q2
Do you consider that these improvement programmes are the right areas of focus?

Q3
If you agree that these are the right areas of focus, are there any programmes where the phasing should be changed i.e., brought forward? If so, what are the drivers for the proposed change and what elements of the current plan do you think should be delayed/ removed in order to fund any additional activity and ensure it remains deliverable?

If you disagree, are there any additional programmes that should be added to the plan, or existing programmes that should be removed?

Q4
Early feedback from the Panel and MOSL Board supports increasing the funding provision for the Market Performance Framework Reform considering the significance of this work to drive fundamental improvements to trading party incentives and customer outcomes. Would you support an increase of the MPF Reform programme cost of £150k (total £250k) which we would look to fund using forecast underspend from 2021/22?

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