

Meeting Note

Market Performance Committee Meeting (MPC03)

26th July 2017 | 10:30 – 15:30
Held at Holborn Bars, Holborn, London EC1N 2NQ

Status of the Minutes: Final

MEMBERS PRESENT

Nigel Sisman	NSi	Chair	Natalie Round	NR	Wholesaler Committee Member
Simon Bennett	SB	Wholesaler Committee Member	Katy Spackman	KS	Retailer Committee Member
Jo Dando	JD	Retailer Committee Member	Jesse Wright	JW	Wholesaler Committee Member
Don Maher	DM	Wholesaler Committee Member	Claire Yeates	CY	Retailer Committee Member
Trevor Nelson	TN	Alternate Retailer Committee Member			

OTHER ATTENDEES

Chris Arnold	CA	Meeting Secretary (MOSL)	Lauren Mulholland	LM	Presenter (MOSL)
Steve Arthur	SA	Presenter (MOSL)	Stephen Beddoes	GP	Ofwat representative
Mike Brindle	MB	Panel Member	Michael Robertson	MR	Presenter (MOSL)
Craig Inman	CI	Observer from (Thames Water)			

APOLOGIES

Nicola Smith	Retailer Committee Member
--------------	---------------------------

1. Welcome and Introductions

Purpose: For Information

- 1.1. The Chair began by welcoming the members of the Market Performance Committee (“Committee”) and delivering an opening message.

2. Minutes and Outstanding Actions

Purpose: For Decision

- 2.1. Subject to some minor amendments, the meeting note for the 28th June Committee meeting was finalised.
- 2.2. The group considered each of the outstanding actions. All actions from the previous meeting were closed except A02_04 which was that MOSL were to identify issues and assess market data quality and bring relevant findings to the Committee. At the previous meeting, MOSL highlighted that there were approximately 100,000 unbillable SPIDs in the market. Trading Parties are addressing this via Non Routine Operations and suitable system fixes; MOSL assured the panel that these data issues are being closely monitored and that the general trend is that data quality has been improving across this quarter. Members agreed to roll the completion date for A02_04 forward to October where MOSL will provide an update to the group.
- 2.3. MOSL explained that materiality parameters from the paper MPC02_01 give MOSL and the Committee flexibility in initiating the performance rectification process, to the benefit of the overall market, The Committee highlighted the importance of defining the materiality in this paper. MOSL will publish its paper as a policy statement in August 2017. MOSL will provide this to the MPC in advance as a courtesy.
- 2.4. Some members raised concerns about the formatting of paper MPC03_01. Members expressed the view that the policy paper was written as a MOSL paper to the MPC, however going forward preparing these as papers to be presented to the Panel would be more useful.
- 2.5. A member expressed the view that the Committee and MOSL would benefit from more clarity on meeting actions so that papers produced by MOSL more closely align with Committee expectations.

3. Market Operator Compliance and Reporting

Purpose: For Discussion

- 3.1. MOSL updated the group on Market Operator Compliance and reporting. The key points raised by MOSL were,
 - There are a number of non-compliances related to market continuity, specifically related to escrow and business continuity. MOSL confirmed that they are currently developing plans to rectify these non-compliances which should be implemented by December. There is further work to be completed to gain the market code mandated ISO 22301 accreditation.
 - In the ‘Service Management’ category, non-compliances relate to the issuing of digital certificates by the Market Operator, where by the market codes envisage these being issued by MOSL but in fact these are sourced individually by each relevant trading party.

The Committee noted the importance of non-compliances relating to registration and switching.

- 3.2. MOSL confirmed that they do have a supporting compliance matrix that details how each non-compliance was categorised and is developing an internal policy document which will set out how MOSL monitors its compliance.

Members were informed that the Market Operator intends to publish this policy on monitoring its compliance together with a qualitative explanation as to the meaning of each of the categories and the impact of the non-compliances.

- 3.3. MOSL took the action to circulate the chart displayed to the Committee and to provide a written update on the impact of the non-compliances on the market to the committee. MOSL will share its policy on managing its own compliance with the committee at MPC meeting 05 in September.

ACTION03_01

- 3.4. MOSL confirmed that the data displayed in the charts was the output of a self-assessment exercise and confirmed that the data accurately reflects the compliance picture as of 25th July. It was also confirmed that if defects affect compliance this would be taken into consideration in the data when building the overall compliance picture.
- 3.5. MOSL clarified the following in relation to the role of the market auditor,
- The Market Auditor has not seen the charts displayed but has seen the compliance matrix that was the source data for the charts; and
 - The Market Auditor will provide findings on MOSL compliance as part of its half-yearly audit report in November; and
 - The Market Auditor will review MOSL's approach to managing compliance.
- 3.6. MOSL suggested that the Market Operator Compliance Report could be updated and published to Trading Parties on a monthly basis with a more thorough review completed every quarter. It was highlighted that it was important that Trading Parties are aware of Market Operator Performance. The Committee stated that this may be overly onerous on MOSL and it could consider a quarterly reporting period. MOSL stated that it will consider this in developing its policy.

4. Scope of the Performance Standards Review

Purpose: For Decision

- 4.1. Members defined the outputs of this review to be a recommendation from the Committee to the Panel including a changed marked version of CSD 0002 – Market Performance Framework.

The Chair clarified the responsibilities of the Committee in relation to the scope of the market performance standards review. The document created must be sent to the Panel detailing what the Committee has to do, what actions need to be taken to achieve this and a timeline for these actions. The Chair reminded members that there is a requirement to finish this process by December and there is a need for a consultation throughout October/Early November for members to have an opportunity to process the feedback and decide what to recommend. The review must cover both MPS standards & OPS standards as well as any other aspects that the Committee feel should be included.

- 4.2. A member raised that a more detailed timeline may be valuable. Some members questioned the need for a more detailed timeline within the scoping documents and thought that the current scope document was clear and concise but left enough flexibility to complete the activities in a sensible manner.
- 4.3. The Committee agreed that the paper should provide more detail on the output of the activity and what will be provided for industry consultation and Panel review. The Paper should also include a request for the Panel to

delegate authority for the review to the MPC. MOSL took an action to provide more detail in the scoping document in relation to outputs at the next meeting.

ACTION03_02

5. Working Session: Review of the Performance Standards

Purpose: For Discussion

- 5.1. Members discussed the key principles to apply to the review of the MPS charges. Members agreed that, in principle:
 - There should be no discrepancy between code mandated SLAs and the time at which a Trading Party fails the performance standard;
 - The MPS charges should match the code mandated changes
 - The performance standards should be simplified, with a single standard being expressed with multiple charge levels; and
 - Each performance charge should be driving the desired behaviour. It was noted that standards could provide disincentive to submit meter reads, for example, once they are already late.

- 5.2. Some members questioned the methodology used for market performance standards reporting, in particular, whether a single failure to meet a given standard should be counted multiple times as is currently the case e.g. if a single meter is not submitted 20BUSINESS DAYS of the meter read date in the transaction for a T105.W then this would count as two performance failures as it would trigger the charges for both 5A and 5B despite the fact it was the failure to perform a single action.

- 5.3. Members discussed performance standards 5A and 5B, the key points are detailed below.
 - MOSL clarified that both standards measure the timeliness of Wholesaler submitted meter reads with 5B being an escalation of 5A.
 - The Committee discussed that this activity is important to measure as it has a high impact on SPID registration and settlement calculation.
 - Members discussed the discrepancies between different code SLAs for different read types. X and Y reads have a 2 business day SLA, I and F reads have a 5 business day SLA, and I, F, X and Y reads for meters with meter treatment type of Private Water or Private Trade Effluent have a 10 business day SLA.
 - Members suggested splitting these performance charges into three (3) separate performance standards for each of I and F reads, X and Y reads and reads for meter treatment types of Private Water or Private Trade Effluent.
 - Members discussed if it was appropriate to separate out reads submitted by accredited entities and those submitted by the Wholesaler. The Committee felt that the intention of this performance charge was to promote the timely submission of meter reads and this would not be better facilitated by

separating out the Accredited Entity submitted reads and the Wholesaler submitted reads in the MPS charge.

Members discussed performance charges 5C and 5D, the key points are detailed below.

- MOSL clarified that these performance charges related to late meter read submissions of cyclic non-market meters by the Wholesaler.
- Retailer members explained the need for timely submission of these meter reads as without them estimated reads must be used which can lead to inaccurate monthly billing.
- The Committee recommended to keep the charges as currently detailed in CSD0002 – Market Performance Framework but to realign the timescale to match the SLA in the code.
- The Committee discussed whether it was helpful to measure wholesalers and retailers separately as they are completing the same overall activity. It was agreed that it was useful to separate this information into different standards to better understand behaviours in the market.

5.4. Members discussed performance charges 6A and 6B, the key points are detailed below.

- MOSL explained that the 6A and 6B performance charges are for extremely late meter read submissions where the meter read is submitted beyond the period for which the read is intended. It was noted that settlement will be calculated without the meter read, but there is an obligation for meter reads to be submitted periodically.
- A member requested clearer wording to accurately describe the performance measure.
- MOSL clarified that corrective transactions (TCORRs) do not get taken into account in stating performance against any standard, whilst the resubmission of standard transactions do get taken into account.
- A member suggested that since the standard is measured on submission of the transaction and not time elapsed, it could incentivise perverse behaviour where Trading Parties are incentivised not to submit the meter reads. As such, it may be more appropriate to not have a financial penalty.
- The Committee agreed that it intended to remove the 6A/6B measures as the activity itself is covered under other performance measures. However, the Committee agreed that it would further consider this decision in advance of its next meeting.
- Members questioned if there was a code obligation for Wholesalers to provide periodic reads for non-market meters and postulated that this performance measure was introduced to promote the submission of timely meter read submissions.

5.5. Members discussed market performance charges 7A, 7B, 7C the key points are detailed below.

- MOSL explained that these performance standards relate to cyclic and transfer reads. MPS 7A relates to only cyclic reads that are either visual and remote and transfer reads. MPS 7B relates to only cyclic customer reads.
- Members suggested changing the transfer reads SLA within the code from 2 to 5 business days to align to the SLA for cyclic reads.

- MOSL clarified that the performance charge of 7C is the escalation of both 7A and 7B.
- Members highlighted the necessity of these performance measures, particularly in relation to transfer reads in settling accurate billing. Members noted that these standards only measure a part of the meter read process; MPS 7A, 7B, 7C measure the time between taking the meter read and submitting the read, not when the meter read should be taken.
- A Member highlighted that CPW013 – Meter Reading Validation should reduce the quantity of failures for these performance charges as it is expected that the number of re-reads that have to be submitted into CMOS would reduce.
- Members suggested splitting out Transfer Reads from cyclic reads for these standards as these reads have a different effect on the market.
- The Committee agreed that the standards should be modified such that there is one measure for transfer reads and one measure for cyclic reads. These standards should measure a 5 business day SLA.

5.6. Members discussed market performance charges 7D and 7E the key points are detailed below.

- MOSL clarified that the functional difference between charges 7A - C and 7D - E is that the former are triggered on submission of a meter read whereas the latter are triggered based on data that is expected to be submitted to the system. MOSL confirmed that there is a system defect in relation to MPS charges 7D and 7E.
- The Committee agreed that these are important measures as it encourages Trading Parties to submit a read following a transfer.
- The Committee agreed to modify the standards such that the minimum SLA is 2 business days, in line with the code.

5.7. Members discussed performance charges 8A and 8B, the key points are detailed below,

- MOSL clarified that this standard measures missed meter reads for bi-annual (8A) and monthly (8B) read meters.
- MOSL clarified that these charges are recurring charges where extended periods of failure will incur multiple failures and charges
- A member raised a question as to whether the Retailer credited portion of the charge is allocated to the water or sewerage retailer. MOSL agreed to investigate which Retailer the charge is allocated to and the Committee agreed to consider who the charge should be allocated to.

ACTION03_03

- 5.8. An alternative design for charging was discussed where Trading Parties would be charged progressively based on how late (past the SLA) they are in completing the task. Members asked MOSL if this would be technically difficult to set up, MOSL confirmed that this would not be difficult. Other members raised concerns about changing the mechanism by which charges are applied. MOSL were given the action to create a table detailing all performance standards (MPS & OPS) and to modify or remove the standards by applying the principles established in section 5.1. MOSL agreed to populate this table with the charges set out in CSD 0002 and to highlight areas where the Committee agreed to revisit the standard or where it agreed that it is fit for purpose.

ACTION03_04

- 5.9. The Committee agreed to review the performance charging by assessing the current state of the charges in CSD 0002 and changing the charges by exception.
- 5.10. The Committee asked for a view on the technical feasibility of adjusting performance standards and charges. MOSL agreed to liaise with CGI to determine what aspects of each performance standards have editable parameters and which do not. MOSL agreed to investigate the impact of making the charges proposed by the Committee in this meeting

ACTION03_05

- 5.11. The Committee noted that the scope to deliver CMOS system changes that could be implemented from 1 Apr 2018 was likely to be limited. Thus the Committee recognised that any revisions might face a delayed implementation. Thus any final recommendation might need to separately identify what changes might be desirable, if any, for 1 Apr 2018 implementation separately from what a longer term recommendation might be.
- 5.12. The Committee also recognised that it needed to be pragmatic about what might be achievable in respect of possible changes in even the medium term (during 2018/2019). For example, whilst many OPS might be considered essential to the orderly functioning of the market and the accuracy of settlement, the challenges of interpretation and the different functioning of wholesaler systems might mitigate against the robustness of the introduction of a charging regime. This might imply that an information based reporting process (as currently applies) should continue pending a more comprehensive consideration of the preferred OPS regime perhaps at a later stage. The Committee agreed to return to this matter in the context of defining the consultation document.

6. Any other business

- 6.1. Members agreed that the next meeting will start earlier at 10:15am and that extended time would be allowed for on the agenda at the end of the day.

Actions:

- A03_01** MOSL to circulate the MO compliance chart and to provide a written update on the impact of the non-compliances on the market. MOSL will share its policy on managing its own compliance with the committee at MPC meeting 05 in September.
- A03_02** MOSL to produce an updated performance standards review paper in a format more suitable for review by the Panel and with more detail about the output of the review. This is to be circulated to the Committee and to members via portfolio managers before publication.
- A03_03** MOSL to investigate which retailer the charge is allocated to in the case of retailer-credited MPS charges
- A03_04** MOSL to create a table detailing all performance standard (MPS & OPS) and to modify or remove the standards by applying the logic established in section 5.2. MOSL to populate this table with the charges set out in CSD 0002. The Committee agreed to give MOSL timely feedback on this so that they can highlight areas where the majority of the Committee agreed to revisit the standard or where the majority agreed that it is fit for purpose
- A03_05** MOSL to liaise with CGI to determine what aspects of each performance standards have editable parameters and which do not and to investigate the impact of making the charges proposed throughout the meeting.

The next MPC meeting is scheduled for: **24th August 2017, 10:15 – 15:30, at:**

Holborn Bars
138-142 High Holborn
London
EC1N 2NQ

The nearest tube stations are Chancery Lane, Farringdon and Holborn.