



# Minutes of the Market Performance Committee

## Meeting 17

29<sup>th</sup> August 2018 | 10:30 – 15:30  
Held at Monument Street (MOSL),

Status of the Minutes: Final

### MEMBERS PRESENT

Nigel Sisman	NS	Independent Chair	Katy Spackman	KS	Retailer Committee Member
Mike Brindle	MB	Retailer Committee Member	Heather Lamb	HL	Alternate Wholesaler Committee Member
Claire Yeates	CY	Retailer Committee Member	Trevor Nelson	TN	Retailer Committee Member
Don Maher	DM	Wholesaler Committee Member	Claire Hicks	CH	Alternate Wholesaler Committee Member
Mike Rathbone	MR	Alternate Wholesaler Committee Member			

### OTHER ATTENDEES

Priya Sinha	PS	Ofwat Observer	Katie Trehwella	KT	MPC Secretary
Steve Arthur	SA	MOSL representative	Tahir Noor	TN	MOSL representative
Mike Robertson	MR	MOSL representative	Harry Osei	HO	MOSL representative
Tunde Odunga	TO	MOSL representative	Mark Crowley	MC	MOSL representative

### APOLOGIES

Simon Bennett	SBe	Wholesaler Committee Member	Jesse Wright	JW	Wholesaler Committee Member
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## 1. Welcome and Introductions

### **Purpose: For Information**

- 1.0. The Chair began by welcoming the members of the Market Performance Committee and introductions around the room.
- 1.1. The Chair noted the enormous amount of work currently being done by MOSL and Panel members to be conscious of that in terms of how the panel prioritise work going forward.
- 1.2. The Chair advised that he had met with MOSL to discuss MPC administrative matters. Specifically, an actions log will be constructed and managed using the same approach as is applied in Panel. This will ensure that MPC maintains an accurate record of actions and their progress and that the relevant spreadsheet is accessible.

## 2. Minutes and Outstanding Actions

### **Purpose: For Decision**

- 2.1. The Committee agreed the minutes from MPC 16.
- 2.2. The Committee agreed to close **A15\_05**
- 2.3. The Committee agreed to leave open, pending recommendation for the OPSWG **A14\_06**
- 2.4. The Committee decided to close the review of MPC Terms of Reference **A16\_01**
- 2.5. The committee decided to close: MOSL to confirm API's previously agreed by **A16\_02**
- 2.6. The committee decided to close A16\_03 as MOSL have created a SharePoint for minutes **A16\_03**
- 2.7. The committee decided to close **A16\_04. As** MOSL have provided additional information of the stage and issue for TPs in Performance Resolution process. **A16\_04.**
- 2.8. The committee have decided to close this action (update on whether validation rates have increased) **A16\_05.**
- 2.9. The committee have decided to leave open MOSL to review MPS graph content and presentation **A16\_06.**
- 2.10. MOSL to confirm MPC code obligations regarding Market Entry, Assurance and Reassurance- The committee have decided to leave this Open **A16\_07.**
- 2.11. MOSL to provide further requested information on the defect and work around log. The committee have decided to leave this open until MOSL have shown some visibility around this issue **A16\_08.**
- 2.12. MOSL to provide socialised plan of priority SPIDs causing most effect on settlement and strategy for resolution. The committee have decided to keep this open **A16\_09.**



- 2.13. Chair to contact UK Water Retail Council and feed in outcome to develop MPC paper. This had been done and therefore Committee decided to close this issue **A16\_10**.
- 2.14. Committee to provide draft CPM008 paper for discussion at MPC 17. The committee have decided to close this issue **A16\_11**.
- 2.15. OPSWG to deliver draft change proposal for MPC 18 (September) The committee have decided to leave this open **A16\_12**.



### 3. Market Performance Reporting, including MPS, OPS, APIs and Performance Resolution

**Purpose: For Discussion**

- 3.0. MOSL began by confirming it had responded to feedback from MPC and had initiated a by-exception reporting style rather than display various charts and metrics across a broad spectrum for the highlights pack to be explored in each MPC meeting.
- 3.1. MOSL stated the new style of by-exception reporting would be outcome focused based on more the OPS approach than MPS and how standards reflect the overall outcomes. (The majority of MPS falling on settlement).
- 3.2. MOSL have now created a standard reporting suite (MPS, OPS, API and Performance Resolution pack, this gives the committee an insight on which are the important bits to look at and what is level of underperformance within the market, by number, percentage and monies). Given the limited time available in MPC meetings, meeting participants are encouraged to review the standard packs ahead of the meeting and to raise any specific matters of interest or concern with either MOSL (in advance of the next MPC meeting) or in the meeting itself.
- 3.3. MOSL emphasised the new pack will have a consistent feel and look which ties in with performance rectification piece. A MOSL member confirmed MOSL are looking to automate this reporting pack to drive efficiency and consistency of reporting pack with new resources available within Market performance team.
- 3.4. MOSL presented the MPS, OPS and API pack. The presentation consisted of data from the month of July along with an update on Performance Resolution.
- 3.5. MOSL presented high-level themes as talked about in MPC 16, with an appendix of the full data in the presentation and/or on the new MOSL hosted SharePoint site which is now being used to publish and record the MPC documents. A Key Focus was on exception reporting here at MPC level. MOSL asked for any initial comments from the committee.
- 3.6. The Chair commented that lot of material had been covered within the slides and proper feedback may require more time as he was not sure how many people have had a full look at it. The Chair encouraged meeting participants to review the full standard packs particularly the next month's material so that MPC can later discuss how it best uses the rich range of material increasingly becoming available to support the MPC's work.
- 3.7. A committee member mentioned it will be good to derive from the reporting pack what is good and what is bad to move forwards. This is to ensure committee have an approach in place, so we are going in right direction.
- 3.8. A MOSL member briefly talked about how we are continuing to see impact of a two-month lag for missing biannual meter read and also seeing big peaks in charges.



- 3.9. MOSL emphasised volatility in MPS charges and indicated this is driven by those meters not read since market opening. MOSL presented what percent of meters have been read since market opened. Again, the emphasis of peaks being looked at is indicative of long unread meters being the underlying cause.
- 3.10. A committee member mentioned in relation to Clear Business that meters had been read but not within 14-16-month period. Therefore, this may be indicative of other underlying reasons than just long unread meters.
- 3.11. The Chair highlighted that, for example the information contained in Slide 8 of MPC17\_01 provided valuable insight. Some meters have not been read in 20 months and therefore might be extremely difficult to read. However, some meters had been read since market opening, and so should be accessible. This could be down to business as usual processes not working efficiently.
- 3.12. MOSL commented that market level underperformance on initial and final meter read submission is being driven by minority of wholesalers who are undertaking data cleansing activities.
- 3.13. A committee member asked whether the average skip rate of a meter for different TPs might provide valuable insight. The committee member emphasised that seasonal variations could be a cause of issues as some meters cannot be accessed. There could also be other mitigating reason why a meter may not be read. This could be down to locality or may even be the meter reading providers.
- 3.14. A committee member asked what do MOSL take from some of the graphs. The committee member suggested MOSL should inform the committee what is good and what is bad from graphs and make a judgment call on whether it is BAU problems or isolated issues specifically.
- 3.15. Another committee member made a recommendation of another slide to show volume of blocks with TP2 fails (slide: significant variation across Retailers in the nature of missed meter reads).
- 3.16. A committee member requested that MOSL added the following to the standard slides:
- Insert a column on the performance resolution slides to show whether the Trading Party performance is improving, declining or staying the same, by using red, amber
  - Insert a column on the performance resolution slides to indicate what stage on the performance resolution process that each TP is at
  - Ensure that each of the slides show the measure used to assess relative performance (the average information) so that each slide can be read stand along without needing to refer to other slides.
- 3.17. MOSL will consider the requests in the above as part of its consideration to improve reporting to support the MPC. **A17\_01**
- 3.18. MOSL addressed the committee and emphasised that these reports are now starting to ask interesting questions which we can develop on. For example, are we starting to see same issues with same meter reading providers.



- 3.19. MOSL continued discussions with the committee around having more insightful analysis now being done so the MPC committee can look at potentially taking next steps if escalation is necessary for those underperforming trading parties.
- 3.20. The MPC noted that next month it would expect that the performance resolution process should mean some TPs escalate to the next step and this data will become more meaningful as these steps are taken.
- 3.21. The Chair noted the significant progress being made and discussions are now heading towards performance resolution and next steps.

## 4. MPOP and Priorities

### **Purpose: For Discussion**

- 4.0. MOSL presented an update on MPOP. This covered Dashboards, feedback and data improvement plans. There are four key areas MOSL provided updates on: 1. Overall progress on MPOP, 2. Update on settlement & switching dashboards, 3. RF resolution plan and 4. Update on MPOP governance.

### Dashboards

- 4.1. MOSL confirmed the launch of the dashboards as expected with go live date of 23/08/18. For those who were not present, a high-level overview was presented for the benefit of all committee members.
- 4.2. A video presentation of the dashboards recorded at the 23/08/18 Skype session was sent out to all committee members prior to the MPC. Overall the committee were receptive of the visual analytics tool and happy with the direction the dashboards were taking going forwards.
- 4.3. A MOSL member confirmed data rectifications works are still ongoing and the final output will change as data quality improves.
- 4.4. MOSL noted the dashboards have been split into three tabs, two for settlement, one for retailers and the same for wholesaler and a third which shows efficient switching for both retailers and wholesalers.
- 4.5. After consultation with Committee members MOSL also confirmed, going forwards the dashboard will cover more in-depth analysis as data integrity/quality improves. No time-scales were provided for this. however, a MOSL member confirmed that trading parties have been contacted to initiate data improvements plans and subsequently improve dashboard integrity.
- 4.6. MOSL also confirmed the dashboards later will have some form of functionality to drill down into specific counterparts and individual trading party level to see individual performance as well as market level performance.
- 4.7. A concern was raised by a committee member on the different metrics visible to Wholesaler and Retailers and whether it would be possible to update the graphs seen subject to feedback on value.



- 4.8. A MOSL member emphasised that the above should not be a concern yet because the dashboard is still within its infancy stages and MOSL are a while off before the dashboards get to that step. In any case the MOSL member suggested potential having a security or login feature to avoid sensitive information being made visible to all.
- 4.9. A MOSL member presented the compiled general themes of feedback from all trading parties (wholesaler and retailer). This was documented ranked in order depending on how many times mentioned.
- 4.10. The key themes highlighted in the feedback were 1. Overall governance of MPOP ability to plan and resourcing. 2. Whether the RF settlement is being prioritised within MPOP 3. The overall process in which market issues are being identified. A MOSL member commented that all feedback was welcomed and very much appreciated.

#### RF Resolution (Data improvement Plan)

- 4.11. MOSL confirmed there has been an acceleration in its plans around the activity of RF and data improvements due to possibility that there might be a deferral of live market running of RF.
- 4.12. MOSL is seeking improvement and trajectory from TP's giving approximately four weeks for requested information. This will would be required for monthly tracking of trajectory of improvements. MOSL envisage a small set of metrics for trading parties to provide the focus to drive data improvement to enhance accuracy of RF.
- 4.13. MOSL commented that this is the not the one and only solution to improve RF accuracy but the initial steps. A common theme MOSL have picked up on is prioritising work and this improvement plan template puts that in place.
- 4.14. MOSL have outlined data challenges and plans around improvement. There are several steps which will be taken building on initial engagement work that has already been done in August, in addition to the dashboards being published in September to increase awareness and transparency.
- 4.15. MOSL also provided key insights into initial engagement activities from wholesalers and retailers.
- 4.16. On the 3<sup>rd</sup> of September MOSL will issue a written request with a standard template to obtain quantitative and qualitative information about RF. A response will be requested by 28/09/18 from all trading parties.
- 4.17. A committee member raised concerns that each trading party could differ in response based on which personnel is filling out the information. The committee discussed the data request and noted that the request issued by email needs to be worded appropriately to ensure that TPs complete the forms consistently and with the same understand of their objective.
- 4.18. MOSL confirmed a summary of performance trends will be provided to the MPC on a month to month basis.



- 4.19. MOSL presented an overview of the resourcing available to deliver on the MPOP outlining the key personnel and teams involved separated into three key resource drivers including a breakdown of key MPOP activities.
- 4.20. A MOSL member confirmed a plan around governance framework will be shared with committee members at the next MPC meeting. A17\_02
- 4.21. The committee members provided positive feedback, overall there was generally a positive sentiment from the committee regarding dashboards, new style of reporting and MPOP. Committee members agreed that positive steps are being taken which will lead to more insightful commentary and issues being highlighted.
- 4.22. A committee member also highlighted that these initial steps would lead to interesting conversations about what comes next in terms of performance resolution and what activities MOSL should be undertaking to remediate issues with Trading Parties.
- 4.23. Additionally the Chair noted that if the dashboard material presented in respect of estimated volumes in the Post-Advance Period based on historic read is found to be accurate then it might imply that there are a disproportionate number of large meters that are not being read post market go live and that this might provide a priority area for investigation and resolution prior to the first RF runs for the live market period.
- 4.24. The Committee noted broad support for the dashboards, subject to comments made in discussion.

## 5. CPM008 – Redistribution of MPS charges work allocation

### **Purpose: For Decision**

- 5.0. A Committee member questioned whether we are still in a position where there has not been enough data for decision-making. The key things are: Whether there is a redistribution or not? Majority of the committee are in favour of redistribution. Majority of the committee are in favour of a performance-based attribution where better performers relatively receive higher redistribution amounts than poorer performers. The idea would be that the redistribution provides further incentives to drive better performance thereby complementing and enhancing incentives delivered via MPS charges themselves.
- 5.1. CY ran through paper MPC17\_03 and highlighted a number of different approaches that can be taken in respect of redistribution. The question is, if the performance-based metric is the route decided then the committee must decide which of those approaches is best suited for redistribution.
- 5.2. Another member of the committee suggested whichever metric or calculation is used it will be difficult to have a 'perfect' metric.
- 5.3. The Chair noted that the issue in the longer term is the challenge of separating the various components of the chargeable performance regime, and particularly the redistribution (if any) and the cap. Most if not all MPC will likely be in favour of redistribution, at least in the shorter term.



- 5.4. Ofwat commented that arguments need to be made very clear; careful consideration should be given to the merits of both redistribution and no redistribution.
- 5.5. Another committee member suggested some of these discussions have been had several times for and against. However, the MPC supported redistribution in the short term and therefore the options for non-redistribution had not been sufficiently documented only discussed at MPC.
- 5.6. Continuing the committee member commented that non-redistribution ideas had been discussed in terms of data improvement and quality however it still ends up being a notional point.
- 5.7. Ofwat recommended for consistency and robustness that all options should be considered for peace of mind to ensure all arguments for and against have been thoroughly considered.
- 5.8. The MPC noted that it had preferred a redistribution approach because that is what the market had expected and that it was reluctant to change such a fundamental principle. It had also considered that without redistribution MPS charges would increase costs to the TP community and this created a risk of higher charges to end consumers.
- 5.9. Furthermore, the Ofwat committee member suggested incentive schemes targeted to deliver market functioning improvements may possibly be a better option to consider rather than the redistribution of monetary value because ultimately it could be sending the message that you will be incentivised for doing what you are supposed to be doing in the first place.
- 5.10. The MPC noted some of its wider considerations had been subjective, e.g. it had not worked up the detail associated with managing innovation funds but had assumed that it would be challenging to deliver efficient schemes in very short timescales.
- 5.11. The Chair indicated that it was important to recognise the incentive properties of any scheme. Whilst the "optics" of giving money back to poorer performers might appear unacceptable this does not necessarily mean that the incentive properties are inappropriate.
- 5.12. A committee member mentioned that deciding on the principle of what to do with the pot is a necessary but difficult task as deciding what is best for the market is not a straightforward answer and may potentially be a circular conversation which may not end.
- 5.13. Another committee member expressed concern that ultimately two million in GBP is a considerable amount of money to be sitting there just because we do not know what to do with it. As a retailer or wholesaler that does not do trading parties a whole lot of good.
- 5.14. Ofwat recommended that the pot could be used in a tax efficient way as a fund to promote and drive good practise and behaviours from all trading parties. This could be used to look at issues such as gap sties.
- 5.15. Ofwat also suggested if a trading party is addressing an area where the market is deemed to have an issue the pot could be used as an incentive for positive market activity.



- 5.16. The Chair commented that in the context of this year the MPC clearly agree on redistribution with an approach to be put into place which can differentiate between 'good and 'poor' performance. Again, the committee were reminded that there isn't necessarily a perfect answer to this issue.
- 5.17. The committee decided that a draft paper should be sent out to Ofwat to engage with their feedback soon. No time-line was decided.
- 5.18. Ofwat also mentioned it will be good practise for MPC to consider what it is thinking in terms of this year and next year. If there is a broad strategy MPC wish to follow it is easier to potentially agree to something if those steps can be seen.
- 5.19. The MPC agreed that the preferred solution shouldn't be just for the remainder of this year and while it should be viewed as an interim solution this is so redistribution can be considered in relation to other levers on the annual MPS review.
- 5.20. The MPC noted that any redistribution scheme proposed for this year should at least have a structure that would be suitable for use beyond this year. Whilst the aspiration is that a scheme and its parameters for this year should be determined quickly to provide certainty to TPs it should also be capable of evolution (perhaps via parameter changes) in the medium term.
- 5.21. The MPC agreed to enhance the draft paper to provide further assessment of the no distribution approach and to incorporate the comments from Ofwat and the committee. CY and the Chair agreed to refine the working paper and define questions for a mini-consultation with TPs. **A17\_03**

## 6. Second MPS Review

### **Purpose: For Discussion**

- 6.1. The Chair opened by noting the challenge to remain disciplined of the realistic scope of this review and that the primary areas to address were those raised by Ofwat in its CPW030 approval response. It was noted that Ofwat had specifically asked for a review of retailer cyclic read thresholds by the end of the calendar year and that the cap should also form part of 'the next MPS review'
- 6.2. The Committee discussed whether Ofwat had required a review of the cap during this review, and noted that correspondence was less clear on timeframe than it was for the threshold. The Committee requested that MOSL do an evaluation of the threshold and provide a report, with options, for the next MPC. **A17\_04**
- 6.3. Several members queried whether the scope of this review should be strictly limited to Ofwat requested areas, and for other items to be raised as special projects. This included a review of cyclic read frequencies for small consumers, which had been previously raised by a Panel member. A member agreed to write to the relevant Panel member for more information, but the Committee



agreed that this should be outside the official scope. However, this would not preclude ad-hoc code changes should supportive analysis come to light. The member noted that specific items should be elevated via the Market Issues Log to ensure consistency with both the Market Performance Operating Plan and a fairness in prioritisation.

#### A17\_05

- 6.4. The Chair raised the issue of the financial elements of the introduction of OPS charging and that the Committee would also need to decide on any cap and redistribution for this pot of money. MOSL confirmed that the OPSWG took an action on this to provide a recommendation in September.
- 6.5. A Member expressed a concern on setting future precedent for the MPC to act in a report-writing capacity. The Committee noted these concerns but agreed that this is a requirement in the conditional approval of CPW030.
- 6.6. The Committee discussed a timeline for future MPF reviews, noting the MPC Terms of Reference and code requires an annual review. A member suggested that the review of the threshold to be applied to MPS18/19 be carried out between September 2018 and December 2019 and then the annual MPF review could start in May 2019 and run for five months, with the cap forming part of this review. The Committee also noted that following this timescale means there will be access to a full year of MPS data, post charging introduction, and therefore a greater evidence-base to evaluate substantial changes.
- 6.7. The Committee also discussed whether these timescales needed to be bound or if changes could be made as evidence/proposals came to light, it was generally thought that fixed time periods were needed to enable discipline of scope.
- 6.8. MOSL raised the code requirement for the Annual Market Performance report and Market Operating Plan, and that these needed to include any recommendations resulting from an MPF review will need to feed into these documents. It was agreed that these could be written for the point in time, but that discussion would likely start to be happening in the Committee by the point of finalising the reports.
- 6.9. The Chair raised an action item for Committee members to provide feedback on the MPC high-level plan, and whether anything material had been omitted. The Committee agreed that the specific MPOP items should reference the planning phase and, after publication, areas raised in the MPOP should be embedded into projects/processes.

#### A17\_06

- 6.10. The Committee noted the analysis previously done by Three Sixty/Northumbrian on long unread meters and that this is the level of work which should be required before the MPC takes on a specific issue.

## 7. OPS Working Group Update

- 7.1. MOSL read an update from the Chair of the OPSWG. He relayed that a plan is in place to support the delivery of the change proposal, although holidays have been causing a significant issue and mean that



the group are slightly behind where they would like to be. The group expects to finalise the OPS methodology and have in place drafts of the required changes in the next three weeks.

- 7.2. The MPC Chair reiterated the need to try and get the proposal advanced as soon as possible, given the commitments that have previously been made to Retailers.

## 8. MPC Terms of Reference

- 8.1. The Chair noted a previously raised issue of requiring a member to nominate compulsory alternates if they cannot attend a meeting. The Committee largely agreed that the existing arrangements had worked reasonably well and there was not a need to formalise the process at this stage.
- 8.2. A Member raised the issue of consistent attendance by Committee members. It was suggested that additional wording be added to the terms of reference to highlight the expectation of attendance in person, with remote attendance on exceptional basis, as well as a mechanism to consider replacing a member for continual non-attendance. It was noted that the Chair would be expected to contact poor attenders and to encourage greater participation.
- 8.3. The Committee agreed to remove the time-bound requirement for an initial review of MPS after nine months, as this had now passed.
- 8.4. The Chair queried whether the paper deadline is appropriate and whether this could be relaxed. It was agreed that papers up to five days before the meeting would be accepted – but that there was still a wish for submission as soon as reasonably possible. MOSL noted that the running of MPS reports can often conflict with the current paper deadline, citing September where MPS publication is later than MPC paper day.
- 8.5. The Chair noted that the Committee Update to Panel is now being made by Committee Chairs.
- 8.6. The Committee discussed whether the date of the meeting each month is optimal. It was agreed that there is little flexibility for movement due to MPS and OPS publication dates, but that the Monday before Panel would be an option. The Committee were minded to leave the day as the day after Panel, typically last Wednesday each month, but no firm decision was taken.
- 8.7. The Chair agreed to update the draft TOR and submit to Panel.
- A17\_07**
- 8.8. Several Committee members noted the impact of the move to Southampton and whether the MPC could continue to meet in London. MOSL highlighted that there would be a cost implication with not hosting in Southampton and that the location had been chosen to accommodate such meetings. The Committee agreed to make decision on this before the Business Plan was finalised.
- 8.9. A member raised that there was no provision in the ToR for the Chair to be substituted. MOSL agreed to refer to Market Design Director given that it was noted that this is a generic issue that affects other Committees too.

**A17\_08**



## 9. AOB and Confirmation of next meeting

### **Purpose: For Information**

9.1. There was no further business and the Chair closed the meeting.

### New Actions:

**A17\_01** MOSL to add action column to Performance Resolution slides indicating the stage a Trading Party is at on the process

**A17\_02** A MOSL member confirmed a plan around governance framework will be shared with committee members at the next MPC meeting.

**A17\_03** NS and CY to refine CPM008 document, including additional detail on a no redistribution option, for distribution as part of industry consultation

**A17\_04** MOSL to evaluate threshold, based on current data, and provide a report for discussion at MPC 18

**A17\_05** TN to contact Panel member with regards to cyclic read SLA for small consumers

**A17\_06** Committee to review MPS Plan and raise any material omissions

**A17\_07** Chair to update ToR and progress for Panel recommendation.

**A17\_08** MOSL to clarify for process for an alternate MPC Chair

**The next MPC meeting is scheduled for: September 2018**

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