



# Minutes of the Market Performance Committee Meeting 28

31st July 2019 | 10:00 – 15:30

Held at ETC Venues County Hall, Riverside Building, Belvedere Road, Lambeth,  
London, SE1 7PB

**Status of the Minutes: Final Document**

**Note: Some information has been redacted for the public domain**

## MEMBERS PRESENT

Nigel Sisman	NS	Independent Chair	Wendy Monk	WM	Retailer Committee Member
Mike Brindle	MB	Retailer Committee Member	Jesse Wright	JW	Wholesaler Committee Member
Claire Yeates	CY	Retailer Committee Member	Trevor Nelson	TN	Retailer Committee Member
Gerard Lyden	GL	Wholesaler Committee Member	Don Maher	DM	Wholesaler Committee Member

## OTHER ATTENDEES

Darren Hayes	DH	Ofwat Observer	Stephen Hobbs	SH	CC Water Presenter
David Garner	DG	MOSL Presenter	Pam Nash	PN	MOSL Representative
Samantha Webb	SW	MOSL Presenter	Evan Joannette	EJ	MOSL Representative
Milo Halford	MH	MOSL Presenter	Rob Curry	RC	MOSL Representative
Luke Austin	LA	MOSL Presenter	Alexandra Piper	AP	MPC Secretary
Mark Crowley	MC	MOSL Presenter	Chris Chiorean	CC	MOSL Representative
Andrew Howorth	AH	MOSL Representative	Katie Trehwella	KT	MOSL Presenter
Hendriico Merila	HM	MOSL Representative	Shaun Kent	SK	Ofwat Observer

## APOLOGIES



Mike Rathbone	MR	Wholesaler Committee Member			
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## 1. Welcome and Introductions

**Purpose: For Information**

- 1.1. The Chair began by welcoming those present. The secretary confirmed the meeting was quorate and the Chair requested that space be made available for those Members that would be arriving later because of travel difficulties. Introductions around the room for those present were made.
- 1.2. The Chair proposed, and the MPC agreed, that all MPC monthly meetings until the end of this financial year should be scheduled the day after the relevant monthly Panel meeting and at the same location.

## 2. Minutes and Outstanding Actions

**Purpose: For Decision**

- 2.1. The Chair thanked MOSL for its efforts in delivering timely draft minutes following the last meeting. The Chair encouraged participants to provide feedback upon subsequent minutes, and in a timely manner. The final proposed version of last meeting’s minutes had been posted shortly before this meeting and so it was agreed that participants should take a look at the proposed final minutes during the next few days. MPC agreed to ‘sign off’ these minutes at the August MPC meeting to give members time to review the final draft.
- 2.2. Action A27\_06 (MOSL to look at reassurance tools and to come back to MPC with examples illustrating what a more targeted approach would look like in August 2019), The Chair commented that market assurance and reassurance as an IPRP tool felt lost in the minutes. MOSL said they would come back to MPC and talk about how reassurance might be used as a performance enhancement tool in August 2019. Specifically, this should cover which elements from the CSD001 toolkit might be relevant for MOSL and MPC uses at the various stages of the performance rectification process.
- 2.3. Action A27\_10 (MOSL to ask Panel whether capped charges should be considered sensitive information and not in public domain), MOSL stated that the work was still in progress but MOSL would come back to the MPC in August 2019.

## 3. MPS, OPS and APIs

**Purpose: For Discussion**

- 3.1. MOSL reminded MPC that there was an OPS resubmission in July. Trading parties had been asked to resubmit OPS data from April/May/June 2019.
- 3.2. MOSL found that only three trading parties had reported G4b tasks in the past three months and that one trading party was reporting compliance tasks under G4b. MOSL found that trading parties would like direction on what should be considered a G4b task. The MPC determined that the potential decision to charge G4a and G4b should be reviewed, and there should be consideration to the removal of G4.
- 3.3. There were discussions around creating charges for extremely late tasks for all of OPS.



- 3.4. The Chair asked which obligations and their associated timelines are already mandated in code in respect of OPS with regard to review of standards, charges and in relation to what to do with standard charge revenues. It was noted that this needed to be researched to understand who was responsible for actions to ensure code compliance.

**ACTION:** MOSL to ask a certain trading party to come into line with other wholesalers when reporting G4a and G4b. A discussion followed on whether they should resubmit data to allow for more consistent analysis in future. The MPC decided they should resubmit data, which MOSL will request.

**A28\_01**

**ACTION:** MOSL to check who is responsible for determining the timing and obligations relating to OPS (including relevant standards, charges and treatment of revenues). MOSL will return this information to MPC in August 2019.

**A28\_02**

- 3.5. MOSL noted that only three trading parties did not need to re-submit June data and a full analysis at market-wide level had not been carried out due to not all data received until the 29<sup>th</sup> July when it was due the 22<sup>nd</sup> July. MOSL will come back to MPC with a brief analysis in August 2019.
- 3.6. The MPC noted that the reporting challenges seemed to be a significant burden on wholesaler trading parties although it was less clear whether this could be considered “teething problems” associated with implementation of new reporting requirements. The MPC also acknowledged the short-notice for wholesaler implementation of OPS charging from April 2019. A member noted that this should be considered as part of lessons learned for future reviews.
- 3.7. An MPC member suggested a video webcast would be useful, to drive consistency and support wholesaler trading parties on submission of OPS data now that the process had changed. A MOSL Representative agreed and raised that many wholesalers had struggled to submit OPS data. The representative confirmed that they believed the wholesalers they represented would benefit from a tutorial on how to submit OPS data correctly.
- 3.8. MOSL asked whether the way wholesalers determine tasks was different to the OPS classification. A wholesaler responded that there were some differences within their company. The MPC noted that the OPS charging introduction had been associated with efforts to standardise definitions and ensure consistent reporting and that efforts must be made to ensure this is achieved.
- 3.9. The MPC highlighted that September’s OPS submissions should be preceded by guidance, for example, videocasting how OPS reporting and submissions should work. The MPC considered who might be able to contribute to MOSL’s efforts in this area by building upon experience of members in the room and perhaps key actors involved in the recently introduced OPS standardisation. MPC sought to identify some experts to support MOSL understand the challenges, to validate that the guidance is robust in the light of experience and to provide guidance to MOSL to inform its communications and video webcast. The Chair remarked that the current absence of reporting should be resolved as soon as possible.



**ACTION:** MOSL to come back to the MPC in August 2019 with an update about how to proceed with OPS submissions. MOSL to discuss with a few wholesalers about what guidance they would find useful when submitting OPS data before the August MPC.

A28\_03

## 4. Performance Resolution: IPRPs (Current and New)

### Purpose: For Discussion

- 4.1. MOSL presented a high-level overview of performance for July. MOSL highlighted that a new watch-list function had been created to monitor longer-term issues, and that trading parties “on-watch” would be reviewed each month, regardless of whether they have been flagged. MOSL noted that there were ten performance issues flagged for monthly performance, and a further eleven issues were reviewed as part of the watch-list. MOSL said that out of these 21 issues: one had been escalated to an IPRP, and a further ten had been put, or remained, on watch.
- 4.2. MOSL further noted that there were 25 IPRPs active in July, and that ten IPRPs were flagged for performance more than 5% below the planned milestone. Of these ten IPRPs, two IPRPs have been asked to re-submit their plans, as their actual performance had been substantially below the planned level for a sustained period. A further ten IPRPs were placed on the watch-list.
- 4.3. MOSL advised that one trading party’s performance for MPS 3 was being impacted by technical difficulties and perceived ambiguity around the use of “Effective From Dates” used in the New Connection transaction. MOSL noted that the trading party in question believe they are doing the right thing but narrowly missing the SLA. MOSL said it would investigate this further to understand if there is a broader issue with MPS 3. MOSL said they were comfortable that the trading party was making reasonable efforts to resolve the issue but added that the re-submission of the IPRP was necessary to correct the planned trajectory and bring it into line with current performance levels.
- 4.4. MOSL informed MPC that they were more concerned about the long-term performance of a particular trading party and that MOSL were considering escalating this performance issue to MPC next month.
- 4.5. The Chair asked MOSL to ensure that the trading party were aware of the possibility of escalation. The MPC noted that many TPs might not be aware of the escalation steps in the performance management process. Consequently, The Chair requested that the wider-market should be made aware and informed about the escalation process. The Chair also asked MOSL to ensure that any decision points and anticipated meetings were properly co-ordinated by MOSL. Given the likelihood of the meeting The Chair asked MOSL to advise MPC Members of the date MOSL would make the decision about escalation, and if it happens, the anticipated date of the first MPC session to explore the case given that it will take place prior to the next MPC meeting.
- 4.6. MOSL confirmed that they had notified the trading party of the possibility of escalation; and that MOSL will make further efforts to ensure that trading parties are aware of the escalation process, including officially launching the Escalation Policy, and providing communications to trading parties.



**ACTION:** The Chair said that MPC members should read the escalation policy document to prepare for the possible escalation.

**A28\_04**

**ACTION:** MOSL to co-ordinate any escalation meetings with MPC that need to take place prior to the next MPC meeting.

**A28\_05**

**ACTION:** MOSL to officially launch the Escalation Policy document, ensuring it is available on the website (if not already) and that there are appropriate communications so that trading parties are aware of the escalation process.

**A28\_06**

**ACTION:** MOSL to report back on whether there are issues with “effective from date” for MPS 3.

**A28\_07**

4.7. The Chair stated that the possibility of an escalation in the near-term expedited the need to review and clarify the role and scope of reassurance as a tool for the escalation process.

## 5. CC Water NHH Complaints Update

### **Purpose: For Discussion**

- 5.1. CC Water presented slides on the state of customer complaints for the financial year 2018-2019, highlighting key statistics and a 43% increase in complaints since the year prior.
- 5.2. The CC Water report covered complaints reported by retailers, and complaints by customers to CC Water directly regarding wholesalers/retailers.
- 5.3. CC Water were concerned about the increased number of complaints received since market opening and since the previous year. Both streams of reporting had seen an increase.
- 5.4. CC Water highlighted the three poorest, proportional to the number of SPIDs a company holds. CC Water were working with these companies to help reduce the number of complaints they receive using action plans.
- 5.5. The largest number of complaints were related to billing and charges.
- 5.6. MPC and CC Water both identified that the “billing and charges” complaints should be broken down to identify issues.
- 5.7. CC Water stated retailers identified that 1 in 4 of the complaints they received were related to the wholesaler. This was a similar figure to last year. CC Water’s assessment validated that retailers had submitted the data as being the responsibility of a wholesaler. A member asked if this data was



validated with wholesalers. It was established that these submissions are not crossed referenced with wholesalers. It was also noted that reported Wholesaler Complaints (f5) was the lowest it had been for a considerable time.

- 5.8. A member asked whether the above can be broken and split down into further issues. CC Water currently do not provide this, but want to investigate which wholesaler interactions are causing complaints against the retailer.
- 5.9. In the August 2019 MPC, CC Water will have a slot to discuss the work CC Water and Ofwat have completed in relation to Customer Insight research.
- 5.10. CC Water emphasised the complaints data reported was useful and the breakdown of the data was useful. Some members stated the importance of the CCW report and how it could potentially be used to influence the MPF Review.

## 6. Ofwat's State of the Market Report

### **Purpose: For Information**

- 6.1. Ofwat presented the key facts from their State of the Market Report 2018-2019.
- 6.2. Ofwat stated that there was interest amongst customers about taking up water efficiency services when they switch provider. Switching rates were steady.
- 6.3. Participants asked Ofwat about its aspirations for market performance, particularly with regard to switching rates in different parts of the market. Ofwat stated they do not have a "benchmark" that would be considered the "ideal" or "good" number of switches. Ofwat highlighted there were benefits from both switching and not switching so a benchmark was not required. Even if switching rates are not high the competitive market can bring benefits to customers via improved customer service and water efficiency.
- 6.4. The MPC highlighted that switching and activity was lower amongst SMEs and that perhaps SMEs should be engaged more in the switching process and water efficiency benefits.
- 6.5. A member highlighted there was a lack of benefits received in terms of water efficiency for SMEs. Ofwat responded that this is due to this benefit being linked with switching, and repeated that SMEs have not been as active in switching.
- 6.6. A member stated that they felt there was effectively two markets in place; a market for SMEs and a market for larger customers. The member felt there was little incentive for small customers to switch or engage with the market. However, the member highlighted that the high consumption section of the market was highly active compared to SMEs and therefore the market might be assessed as successful in that sector.
- 6.7. The MPC noted lower progress in the SME market and highlighted the opportunity for programmes to increase awareness and assist in the switching process. However, the MPC noted that the relatively small financial gains available to potential switchers may remain a significant impediment to switching.



- 6.8. Data quality, wholesaler performance and wholesaler/retailer interactions were the three key issues of Ofwat's 2017-2018 report. Ofwat identified that MOSL and trading parties were working hard to help fix these issues. The issues were found to still be present, and Ofwat stated that more needs to be done to help address these issues.
- 6.9. Ofwat discussed their Call For Inputs (CFI) Report issued in November 2018, which resulted in their CFI: Outcomes Report published in June 2019. The publication reported what respondents (wholesalers and retailers) agreed on, and what they disagreed on for the market going forwards.
- 6.10. Ofwat presented their expectations for the market going forwards. All the expectations and aims identified by Ofwat had varied deadlines up to April 2020.
- 6.11. An MPC member referenced the aspirations from the Cave Report and noted that Ofwat did not seem to be proposing major changes. The member asked if the structure of the market is fit for purpose and highlighted that the market should be for every customer but the potential benefits resulting from competition had not been seen within SMEs. Ofwat responded that the fundamental mechanics of the market were functional, and that it wished to release the potential benefits for all sized businesses but recognised that there were issues preventing more engagement with the switching process, such as a lack of customer confidence. Another MPC member identified that they believed DEFRA would analyse and report on the structure of the market five years after the market had been opened.
- 6.12. Producing quotes on how much money could be saved was highlighted as a potential method to help engage switching amongst SMEs. Several members highlighted that producing quotes for customers is a complex task for companies.
- 6.13. A discussion followed which concluded that improved customer service and water efficiency savings were also key benefits of switching and increased competition, not just a reduction in bills.
- 6.14. Customer research from Ofwat and CC Water will be discussion next month.

## 7. RWG Update on R-MeX

### **Purpose: For Information**

- 7.1. A member of the committee and head of the RWG R-MeX group presented slides around the Retailer Measure of Experience (R-MEX)
- 7.2. The RWG agreed to adopt the principles that Ofwat used for C-MeX and D-MeX (Consumer, Developer). The presenter went on to highlight that it was decided the R-MeX must not duplicate aspects of the OPS and MPS. It was also decided that it would not be pertinent to include financial incentives at this time.
- 7.3. A member asked whether a retailer would need to hold a SPID with a wholesaler to answer the questionnaire. The presenter clarified they would.
- 7.4. The survey would utilise a simple quantitative scale (0-10) and would take around ten minutes to fill out, per wholesaler.



- 7.5. A pilot survey was carried out which yielded fifty-five responses received from six retailers, focusing on eleven wholesalers.
- 7.6. It was highlighted that the RWG had no specialist support from a third-party to aid in statistical market research. RWG clarified that they were seeking to gain this.
- 7.7. MOSL asked what data they would be able to see off the back of this or what work needed to be done. It was stated that this was something that needed to be worked out and that there were currently no requirements. It was further clarified that if a formal role for the R-MeX was adopted then at the very least a code change would be required. Any formal code change request would be from Autumn onwards.
- 7.8. It was clarified by MOSL that there would be some methodological issues to be ironed out for a more formal adoption of the R-MeX. This was largely in reference to the small number of survey responses.
- 7.9. A member asked how wholesalers operate with C-MeX and D-MeX; it was clarified that Ofwat take ultimate responsibility for the measures.
- 7.10. The MPC were pleased that there would be a review of the questions to be used and that these needed to be unambiguous to ensure meaningful and comparable ratings. The MPC noted the challenges associated with interpretation and statistical inference within and across surveys.
- 7.11. The Chair raised that the sub-group should consider whether any MPC input or further support would be desirable. The RWG group could consider the merits of bringing the work within the umbrella of the MPC, and potentially the code.
- 7.12. The RWG highlighted that in September the direction of the RWG group should be set and they will understand their position of whether a code change should be made. The Chair invited RWG to report on outcomes to the September MPC meeting to seek any inputs or guidance if that was considered desirable. RWG will have a full agenda item in MPC 30 (September 2019) to report back on the R-MeX pilot and the work of the RWG.

## 8. MO Compliance Update

### **Purpose: For Information**

- 8.1. MOSL presented a section on their compliance figures for the quarter.
- 8.2. MOSL stated that they had one new obligation failure in that they had not specifically notified Panel and Ofwat in the specified time frame relating to non-payment. MOSL have now notified Ofwat and aim to notify Panel in August/September – MOSL recognised that they could not notify Panel within two business days if they wait until Panel meetings are held. MOSL now intend to discuss and agree how panel should be notified going forwards to ensure this does not happen again. MOSL highlighted that out of all the obligations, this was the only failure.
- 8.3. A member stated that they felt the non-compliance issue around some software had in fact not been resolved and that it was still unmanageable from a trading party perspective. They felt MOSL were treating it as a compliance issue as opposed to looking at the underlying issue of poor software



functionality. MOSL stated that they were looking to remove the software functionality but that they would look into it on their end in the long run.

**ACTION:** MOSL to look at code and go forwards from that regarding whether issues with certain software have been solved.

**A28\_08**

- 8.4. The Chair expressed concern about the sudden breach arising from a “business as usual” process. How could MPC be confident that all 1,145 obligations were still being satisfactorily conducted if one had slipped because of an inadequate knowledge transfer associated with the Southampton move? A member enquired whether this had arisen because MOSL were awaiting all receipts of MPC charges before conducting the redistribution and hence the risk of other non-compliances might not have been identified where MOSL was looking for confirmation of completion of other processes. MOSL indicated that its compliance assessment process involved a quarterly check of all 1,145 obligations. The Chair expressed concern that a check of all these obligations must be consuming considerable, and valuable, resources and indicated that the previous CEO had indicated that a lighter, but more risk-based approach, was to be introduced.
- 8.5. MOSL elaborated on the non-compliance issue, stating that it stemmed from MOSL’s transitions from London to Southampton and the new finance team not being entirely aware of the obligations. MOSL ensured that the finance team were working with the Panel to prevent the issue occurring again. After identifying that MOSL would struggle to notify Panel within the time frame if MOSL had to wait until Panel meetings, MOSL and Panel will discuss how Panel would be notified in the future. They went on to clarify that all evidence suggested that confidence could be held with the other obligations and that a paper would be published shortly that would better explain the evidence.
- 8.6. The Chair noted the other compliance paper that had been provided to MPC for this meeting but that given that the allocated time had already been consumed, it should be considered at the next meeting. MOSL clarified that the paper on compliance was to inform the MPC and does not require comment or approval. MOSL indicated that this was an approved Audit Committee paper that defined the way forward. The Chair indicated that the paper defined timelines that were contingent on appointments in MOSL that had not been made. Given MPC’s role it might be desirable for MPC, at a subsequent meeting, to understand the compliance framework in place and proposed.
- 8.7. The Chair noted that MO compliance had been assumed as a delegated responsibility to MPC but that it might be desirable to review code obligations in this area so that MPC can be sure that it has discharged any obligations it had and that Panel is so advised.
- 8.8. Following a discussion, and in support of member comments, the Chair then requested that MOSL place an agenda item on an MPC meeting to explore compliance findings from the PWC Audit once it has been published.

## 9. MPOP Programme C – Use of MPS Charges

**Purpose: For Discussion**



- 9.1. The Chair reminded MPC that Economic Insight (EI) had been invited to provide an independent recommendation about the options for the use of MPS and OPS charges. EI had been made aware of MPC's earlier deliberations, the MPC (and Panel's) recommendations and also of Ofwat's decisions and concerns. EI had worked with a subset of MPC participants and had also had engagement with Ofwat. The report, however, is independent and delivers EI's recommendation of the best approach. Essentially the recommendation is that the current approach (for MPS, and that to be applied for OPS) should be replaced with a default incentive neutral redistribution (CPM008+) with an option to use the charges to fund other activities.
- 9.2. The Chair noted that the agenda time was very limited and that the MPC should try to decide in this session whether it can accept the principles associated with the EI recommendation. Subsequent work would then be necessary to address some of the detail, most notable the governance arrangements around the option and the envisaged timing of the implementation.
- 9.3. Members were asked if they had any questions regarding clarification or understanding of the EI report or the ideas therein. No questions were asked but one member stated that there were better alternative funding options available rather than using charges to fund market enhancing activities for most scenarios.
- 9.4. One member indicated that he considered that the CPM008+ redistribution was unacceptable because it has an inherent structural imbalance that penalises trading parties with the largest market shares even when their performance is comparable with all other trading parties. Thus, the redistribution will typically create a transfer from larger trading parties to smaller ones. The member indicated this amounted to an unacceptable cross subsidy. The MPC explored the issue noting the member's concern but observed that the requirement to remove incentive dilution would outweigh the suggested approach. The member indicated that dilution should not be the only factor and that, in their view, we should aim to reduce the distortion that might be considered to arise in CPM008+. Participants in the group that had worked with EI indicated that a principles based approach had led to CPM008+ being selected as an incentive neutral approach, consistent with addressing Ofwat's concerns and indicated that they considered it unlikely that MPC would ever be able to reach consensus about any other approach given that approaches are all likely to imply distortions from at least one trading party's perspectives. A member reiterated that EI could not see another suitable way to tackle the dilution problem. The Chair indicated that he thought that the MPC should decide today on the acceptability of the EI recommendations as a package. He noted that at any stage a trading party could raise a Change Proposal to advocate an alternative default redistribution mechanism.
- 9.5. One member indicated that MPC had previously voted that OPS charges should not be redistributed and that decision should not be overturned via subsequent EI work. The Chair indicated that the EI recommendation was a default redistribution but with scope to exercise an option to deploy charges received for market enhancement projects. Therefore, the MPC decision not to redistribute would require the identification of a suitable project or projects in accordance with the ideas set-out in the EI report.
- 9.6. The Chair clarified that the framework recommendation involved a default CPM0008+ redistribution but with scope to deploy (some or all) funds in respect of market enhancement activities. Ultimately it is for



MPC to decide if this is acceptable, and if so, to define an acceptable implementation. Beyond the decision about principles (today's decision) MPC will need to resolve detail particularly about the option governance framework and the timeline for implementation.

- 9.7. The Chair indicated that he felt MPC and the broader trading party community have a significant opportunity to deliver an appropriate framework to define how charges will be treated. He advocated that there might be merit in contemplating an implementation during the current year. This would have the merit of generating a potential funding opportunity during this year to test the process and to deliver appropriately sponsored market enhancement projects. However, that was not a decision for today but rather shortly once a decision on the principles has been taken.
- 9.8. The Chair went on to say that the MPC had not yet decided to go with or against the EI position. The Chair expressed that, in reality, it would be difficult to go against the EI report given that it had been written from an independent perspective and provides a robust framework for addressing this difficult issue. The MPC noted that the recommendation affords significant flexibility associated with assessing special projects and how they might be funded from the sub-pots (OPS, MPS-Retailer, MPS-Wholesaler) but if and only if worthy projects can be identified.
- 9.9. Some MPC members disagreed that any consideration should be given to an implementation during this financial year given that trading parties may have planned that the current regime would persist at least to the end of this financial year, in line with Ofwat's decision document on the revised CPM008. Another member suggested that the market would benefit from stability and signalling significant change in structured approach. The Chair indicated that the implementation timeline was not a matter for today's brief discussion but rather MPC should focus to agree the acceptability of EI's recommendations at a principle level.
- 9.10. One member felt that there were issues associated with the cap and that this must be considered in parallel with the "what to do with the charges" question. Others acknowledged that the cap was a significant determinant of overall regime effectiveness but that it was important to focus on getting some parts of the regime improved as soon as reasonably practical, including the "what to do with standards charges" issue. The MPC noted the issue of the cap will be considered as part of the broader MPF review and additionally the MPC will consider the cap in the context of its priority changes for April 2020 implementation, potentially the first step on the MPF roadmap to be developed.
- 9.11. The Chair reminded the MPC that they were asked to make a recommendation to Panel and that this would necessitate support from a majority of MPC members. He noted that at least one member had a substantive issue with CPM008+ but asked MPC to vote on the EI recommendations.
- 9.12. The Chair stated that any trading party could raise a separate proposal if they wanted to should the individual, or indeed any other trading party, not agree with the MPC as a whole.
- 9.13. The Chair asked the room to vote on the principles of the EI recommendations and offered clarification about what that meant i.e.  
Recommendation 1: Revised CPM008 should cease to be used for redistributing charges.  
Recommendation 2: By default 100% of the charges should be redistributed to trading parties in an



incentive neutral way using CPM008+ with an option to use the charges to fund other activities. It was clarified by The Chair that non-distribution of OPS would be considered as part of the governance approach.

Recommendation 3: Continue to redistribute using apportionment keys defined by the currently used measure of market share.

Recommendation 4: A pre-defined decision-making framework/process to be developed.

Recommendation 5: Implement the change no later than 6<sup>th</sup> April 2020.

Recommendation 6: It should not be a requirement to use the charges to fund any other activities that was covered by Recommendations 2 and 4.

Recommendation 7: Recommendation 7 was an issue for the broader market performance view. Part of the broader MPF work and not a part of this decision.

The MPC noted that governance of the option to deploy funds for market enhancement projects and the timelines for implementation would be key decisions that the MPC would need to make subsequently if it voted in the affirmative to the EI recommendation.

The vote was carried with 6 in favour and 1 against.

- 9.14. A question was asked about governance. The Chair stated that further work was necessary to define the governance framework (a proposal for which should be developed by the MPC to inform its recommendation for a change proposal to Panel). The precise scope for this needs to be defined but might reasonably be expected to include who might raise proposals for projects that could be funded out of the pot, who might be the arbiter of whether a project secures funding and what criteria might apply to the selection of projects.

**ACTION:** MOSL to investigate the feasibility of having two meetings over the next fortnight with MPC members to determine governance and implications of timings.

**A28\_09**

**ACTION:** MOSL to set up two sessions to determine tax implications.

**A28\_10**

- 9.15. The Chair suggested that perhaps two meetings should be set up over the next couple of weeks to discuss governance and timeline before the next MPC. The Chair indicated that high level decisions for governance and a timeline in the next fortnight would greatly assist and inform planning and management of the change proposal.

**ACTION:** MOSL to communicate with MPC members on August 1<sup>st</sup> 2019 to get an indication of their availability and to create a few slots for meetings.

**A28\_11**



## 10. MPOP Programme A – Vacancy

### **Purpose: For Information**

10.1. MOSL published the Vacancy report on the 29<sup>th</sup> July.

**ACTION:** MOSL to send the Terms of Reference for vacancies out to MPC members.

A28\_12

10.2. MOSL stated that MPC members could express an interest in the vacancies project.

## 11. MPOP Programme B – LUMs

### **Purpose: For Discussion**

11.1. MOSL recommended that the MPC endorse the introduction of MPS 18 to the IPRP process as a proxy performance measure for LUMs without the need to define any APIs. They suggested that a fixed threshold of 75% be implemented as opposed to previous metrics like peer mean/median but that this threshold be subject to review quarterly.

11.2. MOSL to discuss the timeline for introducing MPS 18 into the IPRP process

11.3. MOSL noted that the LUM would transfer to a new trading party but the MPS 18 score would not and recognised this as one of the small disadvantages of using MPS 18.

11.4. MOSL presented evidence of an empirical, negative relationship between MPS 18 performance and a trading party's LUM ratio. The worst MPS 18 performances had a higher proportion of LUMs.

11.5. MOSL provided evidence that 96% of all LUMs lie with 10 retail Org-IDs. A member asked if this meant that only large parties would be penalised to which MOSL clarified that this list was not the same as those candidates being considered for IPRPs as the methodology would more be about proportional reductions.

11.6. It was noted that the slides used Org-ID and not business names.

11.7. A member stated that had this threshold been implemented last year then half of all retailers would be on IPRPs. MOSL responded the threshold would only be used to 'flag' problematic trading parties but that discretion would have to be used to select final candidates for IPRPs. It was clarified that flags occur pre-IPRP.

11.8. MOSL specified that they would like to retain ultimate control over the threshold level but that they would be happy to factor the MPCs insight into quarterly reviews. MOSL stated that they would like to adjust threshold levels with a view to go to around 80% performance.

11.9. MOSL clarified that if three out of the last six months were below threshold performance, then that could potentially become a reason to flag a trading party.



- 11.10. MOSL performed an evaluation of the current and proposed methodologies. MOSL felt that the proposed threshold method would be easier for trading parties to understand, be more transparent and is less affected by fluctuations.
- 11.11. MOSL would like MPC to endorse using MPS 18 into the IPRP process and stated that new APIs are not needed. Emphasis was placed on the evidence that shows MPS 18 would be a good proxy for LUMs.
- 11.12. MOSL would like to discuss the timeline for introducing MPS 18 into IPRPs. MOSL identified MPS 18 is not perfect but that changes will be occurring to MPS 18 in the future. MPS 18 would not be changed until after April 2020.
- 11.13. A member raised a concern. The number of trading parties could “swamp” the IPRP process, with many trading parties potentially being placed on an IPRP. The member expressed that the point of IPRPs was to identify and help the worst performers, and this could become diluted if a large number of trading parties were on IPRPs for MPS 18. The Chair remarked that the IPRP process might generate new understandings about the reasons and remedies to LUMs and poor MPS18 performance and that this might afford an opportunity to deliver both a clearer understanding of the problems to MPC and to enable MOSL to consider how it might deliver enhanced knowledge sharing including with wider trading parties.
- 11.14. MOSL responded that only three or four trading parties would have been flagged in its analysis. The Chair noted MOSL’s view that this was an acceptable amount providing significant potential for improvement via the plans, learning and that it might be accommodated within MOSL’s envisaged resourcing.
- 11.15. MOSL clarified that over the last few months, it has either been three or four trading parties that were flagged per month.
- 11.16. A member suggested that the MPC should be clear whether this was an MPS 18 issue or a LUM issue. Generally, other members commented that it was an MPS 18 issue that tackles the flow of new LUMs and reduces existing LUMs. A member commented that having IPRPs may take months to lead to an improvement in the number LUMs. MOSL commented that being on an IPRP will help improve trading party performance and reduce the number of LUMs. MOSL stated that the data analysis that could be done from using MPS 18 as an IPRP would help the analysis for the project on LUMs.
- 11.17. A member asked a question around Appendix 2 relating to the technical language of the document and how it may impact the claim that there was a correlation. MOSL responded that this simply a case of correlation and causation not being equal – causation will require a deeper level of analysis.
- 11.18. A member stated that they supported using thresholds generally but, due to uncertainty around whether MPS 18 as an IPRP will actually decrease LUMs, MOSL should could back to the MPC and review whether it had worked.
- 11.19. The MPC suggested that the first IPRPs relating to MPS 18 should be sent out in September 2019 based on August 2019 data.



**ACTION:** MOSL to communicate to trading parties that MPS 18 could become part of IPRPs from September 2019, using August 2019 data.

**A28\_13**

- 11.20. The Chair stated that MOSL should come back to the MPC in Q1 2020 and report whether using IPRPs for MPS 18 had reduced the number of LUMs. Given that MPS 18 might change from April 2020 this reporting should address whether or not the old MPS 18 calculations would need to be maintained to support monitoring of the IPRPs post-Apr 2020.
- 11.21. A discussion was held on whether a trading party's IPRP should be shared with the MPC. Some members argued that this was not useful, and some stated that it could help form parts of the MPF review.
- 11.22. The Chair expressed a desire, in principle, to share in more depth the details of various IPRPs to increase learning. The Chair noted the risk that increased IPRP transparency might reduce the level of detail to be provided in plans. Others questioned whether greater transparency would be helpful at all. The Chair asked that both MPC members and MOSL give thought to the issue of early transparency about MPS 18 related IPRPs and requested that this be explored in MPC prior to any IPRPs being raised.
- 11.23. MOSL stated that sharing plans could be considered too similar to escalation.

**ACTION:** MOSL to look at July data and come back to the MPC in August 2019 with a provisional list of the Trading Parties that would have been flagged for MPS 18.

**A28\_14**

- 11.24. MOSL felt that OPS should not be considered for IPRPs currently.

## 12. MPOP Programme C – MPF Review

**Purpose: For Discussion**

### **MPS 15: Late Meter Read Submission**

- 12.1. A discussion was held that the charges for MPS 15 could be changed to £0 quickly. Removing it completely would take much longer and would require more considerations.
- 12.2. A member argued that a trading party could be placed on an IPRP for MPS 15, but they would be charged £0 in MPS 15 charges. The member argued that therefore MPS 15 should be completely removed i.e. from the standards framework so that IPRPs would not be possible. Another member agreed that MPS 15 should be removed completely but felt it was not feasible before April 2020. Discussions were held on changing MPS 15 charges to £0 and then removing MPS 15 completely in April 2020.
- 12.3. The Chair noted that watchlists were different to being on an IPRP.
- 12.4. The MPC will recommend to the Panel in August 2019 that the charges for MPS 15 should be set to £0. The MPC would like to implement this from the start of October 2019. Furthermore, either the

refinement or removal of MPS 15 from April 2020 should be explored as part of the finalisation of the April 2020 suite of MPS changes. The MPC noted that any change to standards would require Ofwat approval.

**ACTION:** MOSL to raise code change proposal for MPS 15.

**A28\_15**

12.5. The MPC expressed that, at least for period out to March 2020, it does not expect MOSL to capture MPS 15 in IPRPs. MPC encouraged MOSL to not put trading parties on an IPRP for MPS 15 starting from August unless there was a serious issue that MOSL felt only IPRPs could solve.

### **MPS 19: Missed Monthly Read Meters**

12.6. MOSL went on to discuss MPS 19, expressing concern at definition ii) of a monthly meter (142(2)(b) Water Industry Act 1991) and how the definition severely restricts MOSL's view of MPS 19. MOSL recommended the removal of definition ii). MOSL noted that half of all monthly meters do not come under either definition i) or iii), presumably making them come under ii).

12.7. Discussions were held on what would happen when definition ii) for MPS 19 is removed. MOSL responded that 8,000 monthly meters would be missing and there was discussion about whether these monthly meters were correctly classified.

12.8. It was discussed that MOSL would need to investigate definition ii) further, as there was a general thought that this related to agreements between customers and wholesalers relating to TE issues.

12.9. MOSL to investigate the 8,000 monthly meters that have neither 100,000m<sup>3</sup> nor 80ml+ pipe size.

12.10. The Chair enquired whether changing the definition and the basis for determining the monthly read frequency based on a SPID annual consumption would be difficult, or onerous, in respect of MOSL's MPS system. MOSL assured the MPC that this would not be an issue.

### **MPS 17: Transfer Reads**

12.11. MOSL went on to show their considerations for MPS 17 which centred around adjusting the SLA.

12.12. A member gave a justification for a 20BD SLA and the MPC acknowledged that getting transfer reads into the system in such a short space of time is an issue for TPs.

12.13. It was noted that +2BD could change to +10BD without a system change. This was one of MOSL's priority changes.

12.14. Changing -2BD to -10BD was deemed more difficult as it would require system changes. Discussions were held on what could be changed as part of the priority changes.

12.15. MOSL stated they may retract their previously stated +/- 10BD SLA to avoid changes on CMOS. MOSL suggested -2/+5BD or -2/+10BD instead.



- 12.16. MOSL clarified that part of the SLA would require a CMOS change, thus making it unsuitable as part of MOSL's fast-paced "Priority Changes".
- 12.17. A question was raised as to whether extending the SLA would impact customer billing negatively, to which MOSL responded that a slightly later actual read is far preferable to a quick estimate.
- 12.18. There was a discussion which considered the ability of the outgoing retailer to meet billing obligations. The committee did not see any issues with the outgoing retailer meeting their obligations to bill the customer within six weeks of transfer if moving to +10 days.
- 12.19. The MPC agreed that from April 2020, MPS 17's SLA should move to -2/+10BD subject to Panel recommendation to Ofwat and the Authority's subsequent approval.

#### **MPS 18: Missed Meter Read**

- 12.20. MOSL went on to discuss MPS 18.
- 12.21. A member noted that MPS 18 made most retailers hit their cap, therefore there was no financial incentive to improve for this and any other standard. The cap and MPS 18 were highlighted as issues, and the Chair stated they should each have separate discussion.
- 12.22. MOSL identified and defined MPS 18, which it argued to be too complex.
- 12.23. MOSL suggested taking the SLA to a year (252BD) and measure performance in a similar manner to LUMs, but with a cyclic charging structure. MOSL also suggested having a single point of failure only (one SLA), and raising the cap.
- 12.24. MOSL suggested that simplifying the structure of MPS 18 would enhance transparency.
- 12.25. The MPC agreed that the structure of MPS 18 should be simplified. Consideration would need to be given to the number of BDs and timelines.

**ACTION:** MOSL to develop plans on the changes to the structure of MPS 18 and come back to the MPC in August. MOSL should consider timelines for implementation and the appropriate number of business days when charging for MPS 18.

#### **A28\_16**

- 12.26. The MPC stated several times that the cap and MPS 18 are separate issues, clarifying that the cap must be looked at as part of the MPF review. The MPC also stated that MPS 18 and the cap were linked as a consideration of a package of priority changes. Discussions on the cap should be held in September's MPC given that the merits of cap amendment from April 2020 in the context of other proposed changes would be desirable.
- 12.27. MOSL to discuss moving the cap as part of the Priority Changes in the MPF review. MOSL will look at potentially removing the cap as part of the full MPF Review.
- 12.28. MOSL highlighted that the first visioning session (with regards to the MPF review) needs to be moved to the beginning of September from the end of August. Questions were asked whether this would



change other deadlines. MOSL said that the dates may move by about a week or so but nothing major. The new date would help more people attend the visioning meeting. This was due to MOSL and EI having issues fixing dates.

- 12.29. MOSL clarified that all sessions are available to everyone and that everyone can contribute to the meetings, but MOSL have selected a core group of people from the MPC who are expected to do more than others and always provide help with regards to the MPF review.
- 12.30. MOSL to send out an email to the sub-group to confirm the revised dates for the visioning session.
- 12.31. Ofwat stated they would be willing to help MOSL and emphasised the importance of the customer voice which they want to be considered in the MPF review.
- 12.32. The Chair closed the meeting.

### 13. Any Other Business

**Purpose: For Discussion**

- 13.1. The Chair made note that this was KT’s final MPC session and highlighted that she had been an instrumental part of the MPC over the past year.

### 14. New Actions

**A28\_01** MOSL to ask one trading party to come into line with other wholesalers when reporting G4a and G4b. A discussion followed on whether they should resubmit data. The MPC decided the trading party should resubmit data, which MOSL will request.

**A28\_02** MOSL to check who is responsible for determining the timing and obligations relating to OPS (including relevant standards, charges and treatment of revenues). MOSL will return this information to MPC in August 2019.

**A28\_03** MOSL to come back to the MPC in August 2019 with an update about how to proceed with OPS submissions. MOSL should identify the tools they will require to provide guidance on how to submit OPS. MOSL to discuss with a few wholesalers about what guidance they would find useful when submitting OPS data before the August MPC.

**A28\_04** The Chair said that MPC members should read the escalation policy document to prepare for the possible escalation.

**A28\_05** MOSL to co-ordinate any escalation meetings with MPC that need to take place prior to the next MPC meeting.

**A28\_06** MOSL to officially launch the Escalation Policy document, ensuring it is available on the website (if not already) and that there are appropriate communications so that trading parties are aware of the escalation process.



- A28\_07** MOSL to report back on whether there are issues with effective from date for MPS 3.
- A28\_08** MOSL to look at code and go forwards from that regarding whether issues with certain software have been solved.
- A28\_09** MOSL to investigate the feasibility of having two meetings over the next fortnight with MPC members to determine governance and implications of timings.
- A28\_10** MOSL to set up two sessions to determine tax implications.
- A28\_11** MOSL to communicate with MPC members on August 1<sup>st</sup> 2019 to get an indication of their availability and to create a few slots for meetings.
- A28\_12** MOSL to send the Terms of Reference for vacancies out to MPC members.
- A28\_13** MOSL to communicate to trading parties that MPS 18 could become part of IPRPs from September 2019, using August 2019 data.
- A28\_14** MOSL to look at July data and come back to the MPC in August 2019 with a provisional list of the trading parties that would have been flagged for MPS 18.
- A28\_15** MOSL to raise code change proposal for MPS 15.
- A28\_16** MOSL to develop plans on the changes to the structure of MPS 18 and come back to the MPC in August. MOSL should consider timelines for implementation and the appropriate number of business days when charging for MPS 18.

The next MPC meeting is scheduled for **28<sup>th</sup> August 2019**

Location: **To be confirmed (London)**