



Minutes of the Market Performance Committee Meeting 33

11th December 2019 | 10:00 – 15:30

Held at One America Square, 17 Crosswall, London, EC3N 2LB

Status of the Minutes: Final

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 |
| Don Maher | DM | Wholesaler Committee Member | Mike Rathbone | MR | Wholesaler Committee Member |
| Gerard Lyden | GL | Wholesaler Committee Member | Elsa Wye | EW | Incoming Independent Chair |

OTHER ATTENDEES

| | | | | | |
|-------------------------|----|----------------------|-------------------------|----|------------------------|
| Darren Hayes | DH | Ofwat Representative | Georgina Mills | GM | Ofwat Representative |
| Steve Arthur | SA | MOSL Presenter | Markus Lloyd | ML | MOSL Presenter |
| Milo Halford | MH | MPC Secretary | John Vinson | JV | Independent Observer |
| Adam Boynes | AB | CCW Representative | Steve Hobbs | SH | CCWater Representative |
| Trading Party presenter | | | Trading Party presenter | | |

APOLOGIES

| | | | | | |
|-------------|----|---------------------|----------|----|---------------------|
| Luke Austin | LA | MOSL Representative | Sam Webb | SW | MOSL Representative |
|-------------|----|---------------------|----------|----|---------------------|



1. Welcome and Introductions

Purpose: For Information

- 1.1. The Chair began by welcoming the members of the Market Performance Committee and introductions around the room. It was acknowledged that Elsa Wye was sitting in this session in preparation as the incoming Chair of the MPC, with assistance from John Vinson.
- 1.2. The Chair acknowledged that the Trading Party representatives had not yet arrived and that the MPC would use the extra time to discuss IPRP terminology prior to their session.
- 1.3. ML presents some initial material to prepare the MPC for the visit, focusing on the technical terminology and methodology relating to IPRPs. There was a discussion around MOSL's automated flagging mechanism to which it was clarified that this occurs when a trading party has either; 3 months of below mean performance out of 6; or 3 consecutive months of below mean performance.
- 1.4. MOSL presented a timeline of the trading parties MPS 16 IPRP stating they had taken some time to understand the main contributing factors to their poor performance.
- 1.5. The Chair asked MOSL what criteria MOSL had used to determine the IPRP didn't need to reach the mean performance. MOSL responded that it was because the trading party did not understand their root cause issues, giving no confidence that it was possible to reach mean performance within 6 months.
- 1.6. A member asked who signs off IPRP plans, to which it was responded that ultimate responsibility falls to the Director of Market Performance.
- 1.7. A member asked if an IPRP had been the best course of action once it had become clear that this trading party weren't going to achieve market mean performance to which MOSL responded that in retrospect different approaches may have been appropriate but that MOSL's knowledge and experience of managing IPRPs had developed over time. The Chair acknowledged that MOSL can only use the tools made available to it by the codes but suggested that perhaps greater scrutiny and rigour might be necessary in the application of the IPRP process. Therefore, it would be desirable to assess whether changes in the application of the IPRP process might be necessary to ensure it is sufficient to effectively rectify performance issues. The Chair suggested that the dialogue this morning and the discussion this afternoon should be regarded as a first step in the evaluation of the effectiveness of the current IPRP process.
- 1.8. A member stated that the IPRP process should involve MOSL trying to monitor change and progress in trading party performance, as well as acquiring assurance that they were taking sufficient action. The member suggested that future discussions should instead address whether this balance was correct and effective as opposed to whether it was the right process, to which there was general agreement.



2. Trading Party Visit (closed session)

Purpose: For Discussion/Decision

A32_01

3. Minutes and Outstanding Actions

Purpose: For Decision

- 3.1. The Chair went through the minutes of the previous meeting. An Ofwat representative asked that point 4.14 be changed to "... the Authority expressed desire for incentives to be effective". A member raised that point 8.7 should say "... the league tables would continue to name Wholesalers".
- 3.2. It was agreed that MOSL would make the two amendments and the rest of the minutes were accepted.
- 3.3. A member noted that the TEIC had stated that they could remove G4a/b standards but that action A29_05 should be left open for now.
- 3.4. The Chair expressed disappointment that action A31_05 to draft project selection and governance document for CPM008 was not being presented to December MPC. The Chair noted that in the final discussion about CPM018 in Panel that it was clear that Panel members had very different views about how the project selection criteria were to be applied. The Chair remarked that some Trading Parties spent redistributed monies on initiatives designed to deliver customer benefits. He reminded MPC that EI had indicated that the benefits of special projects needed to be compared with the benefits of redistribution. This was likely to be challenging in the application and exploring the interpretation issues during the development of the project selection and governance document might avoid challenges later on. EW stated that it seemed pertinent to establish an MPC subgroup to look at this with MOSL. Three members of the committee volunteered; GL, MR and WM (pending date).
- 3.5. MOSL agreed to clarify the wording of action A32_01 in the action log.
- 3.6. The Chair enquired about A32_03 and stated that he believed that MOSL would meet with PwC at the beginning of December upon which MOSL would share this information with the MPC in the form of a spreadsheet. MOSL then stated that they would be able to share the spreadsheet on 12 December 2019.
- 3.7. The following actions were closed: **A31_03**
- 3.8. The following actions are to remain open: **A29_05, A30_05, A30_07, A31_04, A31_05, A32_01, A32_02, A32_03**



4. Performance Standards and IPRPs

Purpose: For Discussion

- 4.1. MOSL presented slides around the underlying mechanisms and methodology of the IPRP process. They stated that they were working towards a more transparent, clear way of presenting data around the plans.
- 4.2. MOSL went on to present information around the IPRP process in October stating that:
 - 19 trading parties had received 31 flags across 8 standards;
 - 17 of those flags were on a standard that is currently keeping a trading party on a watchlist;
 - 4 resulted in their trading party being told that they were now on the watchlist;
 - 0 new IPRPs were issued this month;
 - 3 IPRPs have ended
 - there are currently 15 IPRPs active.
- 4.3. MOSL stated they felt that as the number of IPRPs increased, the amount of transparency they were able to provide had diminished.
- 4.4. There was some confusion around the repeated use of the word flag in the IPRP terminology, arising both as an initial automated flag and as a signal of underperformance against an existing plan. MOSL clarified that these are the same flag, utilising the same criteria, and that the system produces them automatically regardless of whether a party is on an IPRP or not.
- 4.3. A member asked, of the 7 parties on IPRPs receiving flags, why only 5 of them had been placed on the watchlist to receive closer scrutiny. It was stated that the watchlist is just the next stage of intervention, and that parties will be placed on the list if problems with their plans were persistent, i.e., had received multiple flags.
- 4.4. A member enquired about the criteria for removal from an IPRP. MOSL responded that one way a party can come off their plan was by progressing beyond the mean, but that there were no criteria set in stone. They elaborated that it was more based around solid evidence of sufficient work being undertaken to address root causes of poor performance and subsequent improvement as opposed to just performance milestones. They continued that if a plan was on track but still below mean it would likely be extended, albeit in good faith.
- 4.5. A member asked for clarification around an IPRP against MPS 7, stating that they've only hit the mean performance once during their plan, in the most recent month, yet they're being de-escalated. MOSL responded that this was due to the strength of their evidence and the assurance they had provided that the underlying causes of their poor performance had been addressed.
- 4.6. MOSL went on to present slides around the upcoming OPS IPRPs. It was shown that:



- 9 trading parties had triggered 22 flags;
 - 4 trading parties had been placed on a watchlist;
 - 2 of these parties had been sent letters of concern;
 - 3 trading parties had each been placed on 2 IPRPs;
 - 4 of these IPRPs were API related, with the remaining 2 being KPI related.
- 4.9. A member voiced concern that MOSL were sending letters of concern for something that didn't exist yet, referencing the API surrounding outstanding tasks. They stated that they felt it was inappropriate for MOSL to base their plans on data from a period prior to the decision to subject OPS to IPRPs being made. They continued that this should have instead been a signal of what's to come, instead of being retrospective.
- 4.10. MOSL accepted the above point as a fair criticism and stated that it was perhaps not best practice, but that they did not feel this data should be excluded.
- 4.11. A member asked where the 75% threshold for the API came from and asked whether it was stretching enough. MOSL responded that it was born from analysis undertaken on OPS data and that the current expectation was that the threshold would rise as performance did. MOSL clarified that they weren't going to prescribe themselves to raising the threshold and that any change would need to be done with consideration of the benefit to the market. The Chair recalled that the threshold had been set based on an expectation of the number of IPRPs⁵ and that this was assessed as manageable given MOSL's current resourcing level. MOSL outlined that the threshold approach and levels had been presented at a prior MPC for awareness and input. No challenge or concern had been raised.

5. Forward Planning Session

Purpose: For Discussion

- 5.1. The outgoing chair expressed concern around resourcing to support the extensive range of MOSL projects and MPC activities. Previous workload peaks had stretched both MOSL internal resources and MPC members. This session could be used to provide insight about workload and resourcing for the incoming chair. He also stated that it may be pertinent to use external resourcing particularly, for example, to support the considerable upcoming work in the MPF Roadmap projects.
- 5.2. A member asked whether there were any other requests from the Authority currently pending. An Ofwat representative stated that they were currently assessing incumbent support for effective markets, which may lead to some additional work being identified in the next quarter for later attention but that for now there was nothing outstanding.
- 5.3. JW stated that the need for this session stemmed from an MPF Roadmap session with a few other members, which had identified the need for multiple project groups. Two questions were posed to the committee: how will the MPC cope with the project work set out by the MPF and secondly, what



involvement should the MPC assume in the current bilaterals project stream. He continued that the bilaterals portal was looking for large scale requirements to be set out by April which will monitor certain aspects of operational performance and that this warranted MPC involvement.

- 5.4. JW elaborated that the question was more about the potential of such a portal and identifying where such a work stream would sit. He cited that the portal opened the possibility of MPS suspension around relevant OPS failures and the previously explored idea of retailer credited wholesale charges. He stated that the previously established OPSWG could put together a ToR quickly, potentially to be with the MPC for January.
- 5.5. EW appreciated the idea and asked for JW's recommendation on the best course of action. It was responded that he felt a call should be held to discuss potential participation in the bilaterals project. The meeting noted that JV could act as the conduit between MPC and the bilaterals project given his involvement on the Steering Group.
- 5.6. **ACTION:** JW to gather feedback from the OPSWG that identified potential future changes highlighted at the time for OPS that may not be feasible or practical to implement at the time. JW to then feed this into the MPC and bilaterals project via John Vinson.
- 5.7. MOSL asked how they could call on members of the MPC to participate in volunteer project work and asked whether it would be helpful for them to put together a forward plan. It was elaborated that this would allow for targeted volunteering, so that the most appropriate members could be assigned to certain tasks. A member suggested that MOSL put one together and test it out.
- 5.8. **ACTION:** MOSL to put together a forward plan to model MPC requirement on the various project streams of the MPF roadmap for the upcoming 15-18 months.

A33_09

- 5.9. The incoming Chair emphasised that it was important to make sure to get an appropriate balance between the special projects and the BAU work that might continue to arise day-to-day in the MPC.
- 5.10. An Ofwat representative asked if trading party members that weren't on the MPC would be able to help with special projects, to which the Chair responded that they absolutely would. There was an open discussion on the best way to get the word out.
- 5.11. A member stated that they felt it was vital to see what the forward plan would look like and then cut the cloth accordingly, in order to better prioritise workload.



6. Any Other Business

Purpose: For Information

- 6.1. Steve Arthur presented Nigel Sisman with a token of appreciation and acknowledged his departure as Chair of the MPC. SA outlined that he felt the MPC had done a huge amount and thanked Nigel for the drive and challenge he had provided, as well as holding MOSL's feet to the fire, having affected real change.
- 6.2. The Chair wished the utmost success to the MPC, although stated he was disappointed with the progress that had been made during his time as Chair. EW urged the Chair to focus on what he and the group had achieved as opposed to what they hadn't.
- 6.3. The Chair wished a final best wishes to the committee and the session concluded.