

MOSL Standard MPC Slide Pack

January 2020

market focus



Welcome to our January edition of *Market Focus*, providing a monthly update on MOSL activities and the water retail market.

Our 2020/21 Business Plan

On 17 January 2020, MOSL published its [2020/21 Business Plan](#) for member approval.

This plan has been developed following the most robust business planning process we have undertaken to date, including a comprehensive consultation exercise with our members and other key stakeholders.

As a result of the [consultation feedback](#), as well as our ongoing business planning activity, we have reached a number of key conclusions that have been reflected in the updated plan we are presenting to members for voting.

Key changes to the 2020/21 Business Plan can be summarised as follows:

Proposed total budget

Following a strong challenge from our members, we have reduced our proposed total budget for 2020/21 from £11.5 to £11.2m, which now reflects a £0.5m (4.7%) increase on 2019/20. This recognises the cost pressures being faced by trading parties and the need to limit any increase in direct costs as far as possible. By identifying further efficiencies, we have been able to reduce the overall budget driven by a reduction in the salaries associated with some new positions, a reduction in planned headcount and savings resulting from the rephasing of recruitment. We have also reduced our assumed CMOS maintenance costs based on our current view of the contract negotiations with CGI and the scope of the new contract which will take effect on 1 April 2020.

Revised approach to market auditing

Following broad support for the revised approach to the market audit, we have decided to progress with a more risk-based, targeted market audit in 2020/21, but with an additional £50k allocated to

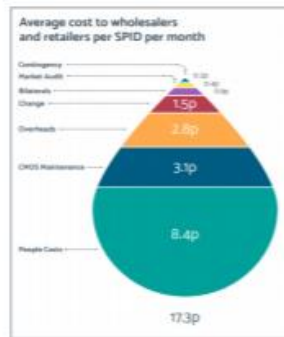
the budget to respond to the challenge from a number of trading parties that it had been reduced too far. Conscious of the wider cost pressures on our plans, we assess this to be a proportionate level of budget that will enable both a robust and value for money approach.

Bilateral transactions project

We received strong support for the principle and importance of the bilateral transactions project which was accompanied by a strong challenge from a number of our members that the business case needs to be clearer before solution costs should be committed to. Since publication of the 2020/21 plan for consultation, additional project work – as well as engagement with the project steering group – has confirmed the need for additional data to be captured in order to ensure that the cost benefit analysis is fully comprehensive and robust. Consequently, we have taken the decision not to include the solution costs within the budget for 2020/21. Our 2020/21 budget includes project costs of £600k, which cover project management and all other activities required to deliver 2020/21 project activities outside of the solution delivery.

We would like to thank all of our members and key stakeholders who engaged with us during the consultation and for the broad support we received for the plan's key themes of Service Excellence, Market Assurance, Market Improvement, Governance and Building Capability.

Members will have the opportunity to attend a General Meeting at 10.30am on Friday 31 January 2020 to vote on whether or not to



accept the business plan. Formal notice of the meeting has been sent to members, a copy of which can be found on page 31 of the business plan document.

Members do not need to come to the General Meeting to vote. Instead you can use the proxy form to tell the Chairman of the meeting – or someone else who will be at the meeting – how to vote on your behalf. Additional copies of the proxy form are available from [MOSL's Company Secretaries](#). If you have any questions on how to vote or require more information about the plan, please speak to your Portfolio Manager. We will communicate the decision with members following the General Meeting on 31 January.

The 2020/21 Business Plan can be found on the [News & Views page](#) on the MOSL website. You can also read Utility Week's article 'MOSL commits to review of water metering' which outlines our plans to undertake a strategic review of metering as part of our 2020/21 plan.

Please click the link to [Market Focus](#) to find the monthly update on MOSL activities



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Market Summary

💧 MPOP

- 💧 The Change Proposal for the Priority Changes for Programme C (CPW 078) was submitted to Ofwat for approval in December and is currently awaiting Authority Approval. It sets out the first lot of changes (the Priority Changes) to the Market Performance Framework to incentivise performance against the market and operational performance standards.

💧 OPS/MPS

- 💧 The collection of biannual meter reads performance standard (MPS 18) has seen its highest ever performance over the last 2 months
- 💧 As expected, we have seen an increase (25%) of cyclic meter read submissions (MPS 15) since the removal of the charge in November 2019.
- 💧 Water Plus visited the Market Performance Committee in December and went through their performance seen for the submission of transfer meter reads (MPS 16). They are now working on a new in depth plan to show how they intend on rectifying their performance. This template is the first of its kind and has been developed to allow more information to be shared with everyone involved and marks the beginning of the IPRP template review. We will be looking to use this or a version derived from this for future Rectification Plans.

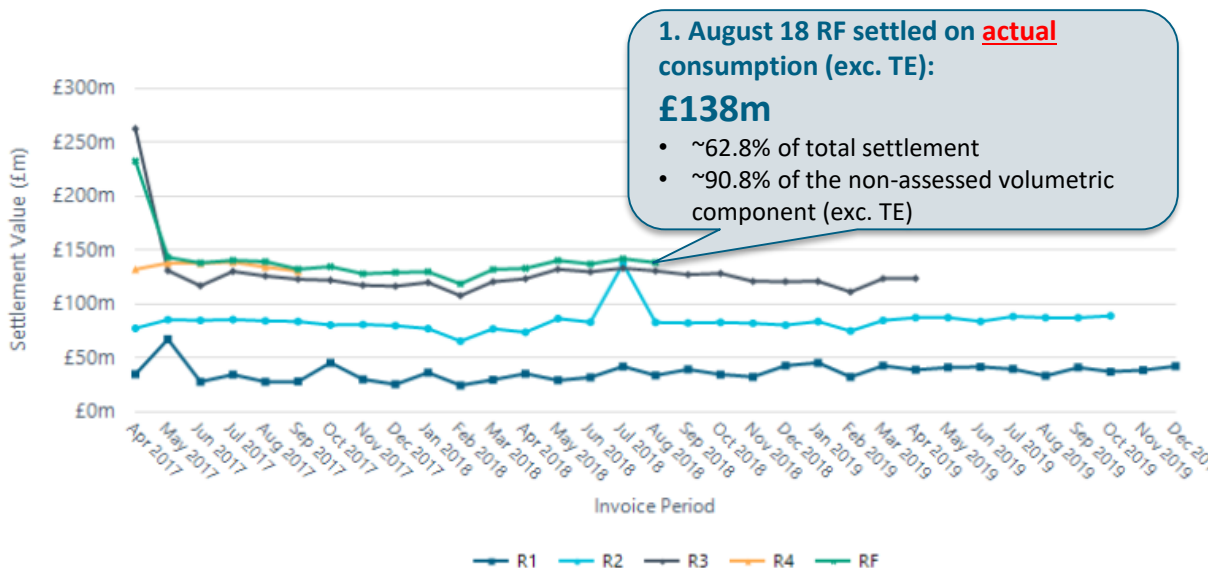
💧 Use of charges and Redistribution (CPM018)

- 💧 The change proposal that sets out the use of Market Performance charges and redistribution was approved by Ofwat with a 1 Jan 2020 start. The governance and project selection documents are now in progress.

Value of settlement based on actual meter reads – August 2018 RF

Headline: August 18 RF settled on £220m with 90.8% of the volumetric element settling on actual consumption. **This figure remains consistent with previous RF runs.**

Settlement based on actual consumption (as per D1)



1. August 18 RF settled on actual consumption (exc. TE):
£138m

- ~62.8% of total settlement
- ~90.8% of the non-assessed volumetric component (exc. TE)

2. August 18 RF settled on estimated consumption (exc. TE):

£20.3m

- **Historic reads:** ~£19.2m (8.7%)
- **YVE:** <£536k (0.2%)
- **YVE cap:** <£2k (0%)
- **ILE:** <£624k (0.3%)
- **ILE cap:** £0m (0%)

3. Other:
£61.7m

- **Trade Effluent:** ~£17.3m (7.9%)
- **Assessed:** ~£1m (0.5%)
- **Non-volumetric:** £43.3m (19.6%)

Market Dynamics

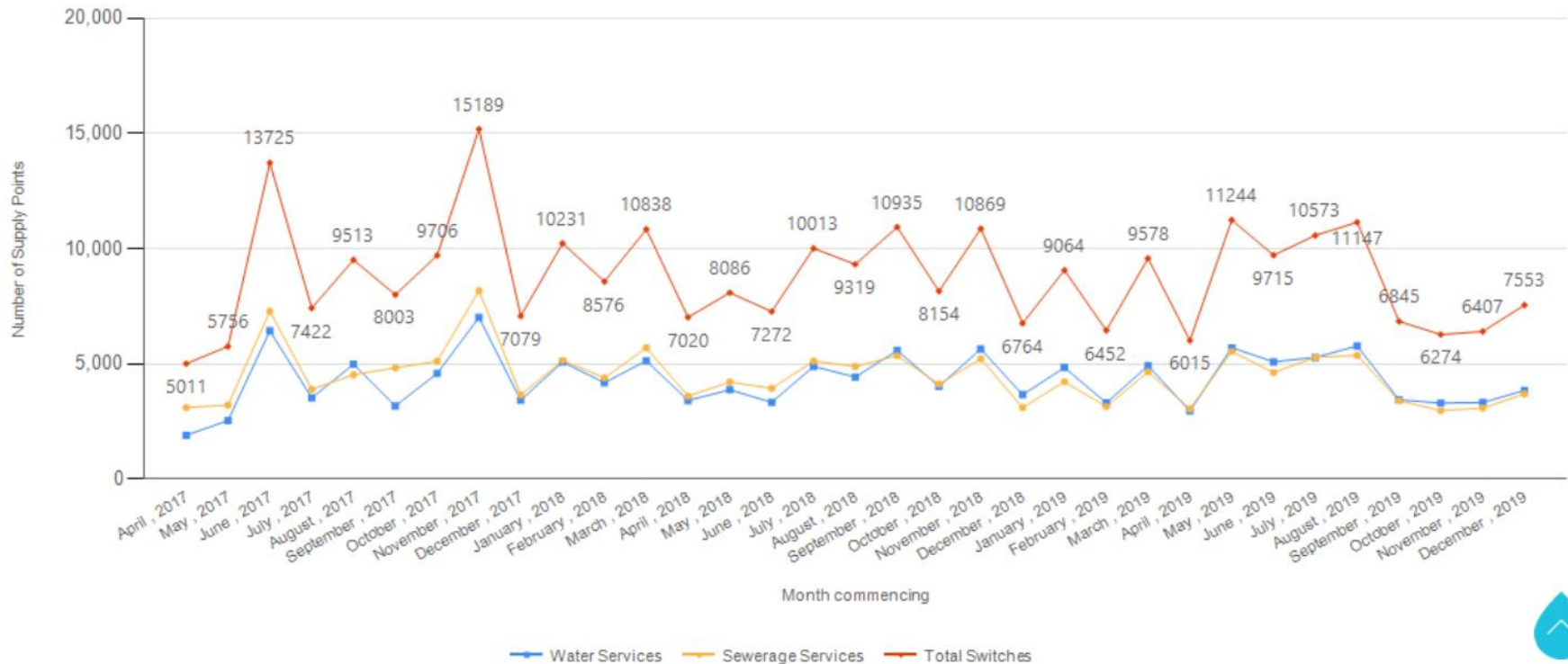
Market Dynamics

Below shows the number of switches month on month. There continues to be a lot of activity within the water market however, switching slowed down towards the end of 2019. With Decembers figures this seems to be back on the rise but remains low.

The total number of switches since market opening is now **302,065** (as of 1st December 2019)

Monthly Switching Rate

Total supply points switched as at the first business day of the current month: 302,065



**Market
Dynamics****Market movements**

The water market continues to be a hive of activity, with various calls to action and movements being made across the regulatory landscape which will require focus and attention of wholesalers and retailers

December/January Headlines**[Water Briefing: Yorks Water business customer deal confirms Business Stream as 2nd largest UK water retailer](#)**

Edinburgh based water retailer, Business Stream, is now the second largest water retailer in the UK, following its acquisition of the non-household customer base of Yorkshire Water Business Services and recent successes in the market.

[Water giants dodge Labour threat . . . but Ofwat, led by Jonson Cox, wades in](#)

Water giants are set to launch a wave of appeals against the industry watchdog after it imposes one of the toughest financial settlements in years.

New rules on spending and efficiency are expected when Ofwat publishes its long-awaited “final determination” on suppliers’ latest five-year business plans tomorrow.

[Southern Water publishes 50 year water resources plan](#)

Southern Water has published its Water Resources Management Plan - the company said for the first time is now looking forward 50 years so it can be prepared to meet the challenges of a very different world.

[On the Move: MOSL appoints non-executive director](#)

Anne Heal has been appointed as an independent non-executive director of the MOSL board.

She took up her appointment yesterday (1 January) and will join the first board meeting of the new year on 29 January.

Heal, who has more than 20-years’ experience at board level, has previously held a number of senior roles at BT including director of strategic planning and director of corporate business development. She was also director of regulatory affairs for BT Group, leading the regulatory negotiations that led to the creation of Openreach, where she then became managing director, strategy.

Trading Party Performance – MPS

Trading Party Performance

For retailers with greater than 5000 SPIDs,

- Task volumes have increased by +93k since the last period (Aug-Oct 2019), largely driven by a 25% increase in MPS 15 tasks (+51k) in November when compared to a 6 month average for all Retailers regardless of size. For Retailers with <5,000 SPIDs, task volume has decreased by 646.
- Overall market performance rose by 1.24% since the last period (Aug-Oct) to 80.94. Despite the low rankings, Wave has improved by 3.41% and Castle has improved by 3.39% since the last period.
- Yorkshire Water Business remains ranked 1st.

For Retailers with less than 5000 SPIDs,

- Performance has decreased slightly by 1.72% since the last period (Aug – Oct 2019).
- The trading parties ranked 1st to 4th remain the same.
- Smarta Water were previously ranked 10th with 54.50% and have improved to 61.97%.
- YU Water were previously ranked 9th with 63.30% but have now fallen to 45.83% after an increase in tasks mostly from MPS 18 and a decrease in MPS 15 and MPS 18 performance.

MPS Performance - Retailers with >5,000 SPIDs

Trading Party	Sep-Nov 2019		
	Rank	Performance	Total Tasks
Yorkshire Water Business	1	96.29%	125,983
Pennon Water Services	2	88.85%	128,158
Affinity for Business	3	88.56%	60,994
Water 2 Business	4	87.79%	100,042
Water Plus	5	84.05%	425,483
Clear Business Water	6	83.72%	10,734
Business Stream	7	81.77%	85,047
Everflow	8	78.00%	36,721
SES Water Services	9	77.66%	18,888
Wave	10	70.81%	285,266
Castle Water	11	70.79%	242,515
Market Performance		80.94%	1,519,831

MPS Performance - Retailers with <5,000 SPIDs

Trading Party	Sep-Nov 2019		
	Rank	Performance	Total Tasks
Dwr Cymru Welsh Water	1	98.99%	1,788
Hafren Dyfrdwy	2	96.47%	85
ADSM	3	94.14%	3,156
The Water Retail Company	4	92.61%	1,178
Three Sixty Water Limited	5	85.71%	14
First Business Water	6	80.04%	3,623
Tor Water	7	76.00%	50
Regent Water	8	72.31%	242
Smarta Water	9	61.97%	1,136
YU Water	10	45.83%	72
Market Performance		86.18%	11,344

Trading Party Performance – MPS (SS/NAVs & Wholesalers)

Trading Party Performance

For Self-Suppliers and NAVs,

- Rankings have remained similar, with Coca-Cola and Marstons still in the top 3. Performance has maintained a similar level, only falling by 0.39% this period.
- While Self-Suppliers still dominate the top of the table, 3 out of the 5 NAVs (Independent Water Networks, Leep Water Networks and Icosa Water) have all seen an improvement in their performance.

For Wholesalers,

- The top 5 performing Wholesalers in the last period remain the top 5 this period, with slight changes in rankings apart from Yorkshire Water. 2 of the 5 Wholesalers saw small increased in performance.
- Task volume increased by around 2,600 tasks and performance overall has fallen slightly by 0.46%.
- The five Trading Parties at the bottom of the table were also in the bottom five last period, however 3 of them saw improvements in performance when compared to Aug-Oct performance.

MPS Performance - Self Supply and NAVs

Trading Party	Sep-Nov 2019		
	Rank	Performance	Total Tasks
Coca-Cola (SS)	1	100.00%	23
Marstons (SS)	2	98.86%	1,847
Stonegate Pub Company (SS)	3	98.35%	1,332
Veolia Water Projects (NAV)	4	97.33%	187
Heineken UK Limited (SS)	5	96.77%	31
Blackpool Borough Council (SS)	6	96.04%	454
BT (SS)	7	95.24%	3,401
Whitbread (SS)	8	93.44%	2,410
Independent Water Networks (NAV)	9	93.16%	1,388
Greene King (SS)	10	90.78%	2,159
Berendsen UK Limited (SS)	11	89.16%	323
Nottingham City Council (SS)	12	87.97%	349
Leep Water Networks (NAV)	13	85.19%	54
Icosa Water (NAV)	14	33.82%	68
SSE Water (NAV)	15	8.82%	68
Market Performance		93.81%	14,094

MPS Performance - Wholesalers

Trading Party	Sep-Nov 2019		
	Rank	Performance	Total Tasks
Yorkshire Water	1	97.21%	9,703
Portsmouth Water	2	95.45%	330
Wessex Water	3	94.93%	1,222
Anglian Water	4	94.51%	7,302
Bristol Water	5	94.33%	1,094
South Staffordhre Water	6	91.37%	695
Sutton and East Surrey	7	91.10%	472
United Utilities	8	89.94%	2,604
Southern Water	9	89.20%	1,574
Severn Trent Water	10	85.28%	4,151
Southwest Water	11	83.73%	2,243
Southeast Water	12	79.47%	1,583
Northumbrian Water	13	78.57%	2,562
Affinity Water	14	75.75%	1,307
Thames Water	15	72.87%	9,232
Market Performance		86.94%	46,074

Trading Party Performance – OPS League Table

Trading Party Performance

- Note: This excludes G2a, G4a, G4b
- When comparing April 2019 with November 2019
 - Overall high performance maintained across the market, with the majority of TPs showing consistent performance
 - The most significant differences among WaSCs: Southern (-22.54%), Southwest (+10.23%) , Thames (-7.10%), Northumbrian (-7.00%)
 - The most significant differences among WoCs: Southstaff (-11.38%), Sutton (-7.39%), Southeast (+5.00%), Portsmouth (+4.17%)

OPS Performance - Wholesalers (WASCs)			
Wholesaler	September-November 2019		
	Rank	Performance	Total Tasks
DWRCYMRU-W	1	100.00%	13
ANGLIAN-W	2	97.62%	2,181
UNITED-W	3	97.54%	2,477
YORKSHIRE-W	4	96.51%	2,465
SOUTHWEST-W	5	93.88%	1,242
WESSEX-W	6	93.49%	691
SEVERN-W	7	93.48%	3,359
NORTHUM-W	8	84.41%	1,488
SOUTHERN-W	9	78.25%	1,664
THAMES-W	10	63.96%	7,686
Market Performance		83.22%	23,266

OPS Performance - Wholesalers (WOCs)			
Wholesaler	September-November 2019		
	Rank	Performance	Total Tasks
AFFINITY-W	1	99.39%	651
PORTSMOUTH-W	2	99.22%	129
BRISTOL-W	3	98.52%	540
SOUTHEAST-W	4	95.10%	612
SUTTON-W	5	93.22%	118
SOUTHSTAFF-W	6	89.15%	977
Market Performance		94.81%	3,027

Market improvement update – January 2020

--- Reported to 31st December 2019 ---

HEADLINE MESSAGES:

- New Vacancy and Long Unread Meters reports now released to TPs via SharePoint site, with guidance available via website
- Pairing improvement working together sessions now mostly complete, with remainder of plans to be submitted during January
- CPW078: Priority MPS Changes recommended by Panel for implementation from 1st April
- MPF roadmap presented to Panel in December, with report sent to Ofwat on 20th December.

A. High quality customer, premise and asset data

KEY UPDATES:

- Volume of vacant premises continue to stagnate month-on-month.

KEY MARKET-LEVEL INDICATORS:

Metric	December	vs. 18/19 year end
% premises vacant	17.7%	↑ 0.7%

B. Timely and robust consumption data

KEY UPDATES:

- Meters > 1 year old have reduced in both November and December's data
- MPS 15 changes appear to be having an impact
- Continued progress observed in reduction of pre market long unread meters

KEY MARKET-LEVEL INDICATORS:

Metric	November	vs. 18/19 year end
% unread 12m+	13.2%	↓ 1.2%
# unread since market opening	32,062	↓ 21,408 (-40.0%)

% unread 12m+ target: 5%
unread since market opening: 0%

C. Targeted incentives to drive service and performance

KEY UPDATES:

- Changes to MPS 3, 18 and 19 recommended by Panel, with view to implement on April 1
- Partial rebuild of MPS to take place to accommodate changes and to reduce execution time – testing support from TPs is requested.

KEY MARKET-LEVEL INDICATORS:

Metric	November	vs. April
WS MPS performance	87.6%	↑ 1.4%
RET MPS performance	82.0%	↑ 2.7%
WS OPS performance*	87.3%	↑ 3.6%

* Excludes OPSG4a/b – performance including G4 is 91.4% (Dec), 89.2% (Nov), 88.0% (Oct)

D. Data, tools and insights to drive efficiency and innovation

KEY UPDATES:

- High level activity ongoing to identify any 'quick wins' or tactical improvements to be made to data availability and reporting.
- Trading party input to be sought via a survey

KEY MARKET-LEVEL INDICATORS:

Metric	Current month	vs.
n/a	n/a	n/a

Market improvement – key milestone delivery status

