

Strategic Panel Open Forum summary notes

On 14 September 2023, the Strategic Panel held its annual Open Forum in London. The forum is an opportunity for senior trading parties and stakeholders to hear directly from Panel members on the progress the Panel has made across the year and input to its future direction.

The agenda and slide pack are available on the [Calendar page](#) of the MOSL website.

This document outlines the key discussion points from the day, including questions asked following presentations and during workshop discussions.

If you have any questions on this summary note, or the event itself, please email Panel Secretariat: panel.secretariat@mosl.co.uk.

Business Retail Market update – Shaun Kent, Ofwat

For the first presentation, Shaun Kent, Director of Business Retail at Ofwat presented the headline messages from Ofwat’s annual [State of the Market report](#) (published on 14 September 2023). See slides for information on report findings.

Key points:

- This is the first year Ofwat did not use a significant Request for Information from retailers – instead it went out to speak to retailers and gathered information through informal discussions noting:
 - It’s clear that retailers are committed to the market and addressing customer service issues
 - Concerns remain around data quality and metering – desire for a faster rollout of smart metering
 - There is limited appetite from customers on water efficiency
- Ofwat will now be looking at how it monitors the market in terms of the development of competition now that the REC is set for the next two-three years (see slide 9). This includes defined market metrics, including customer segmentation, analysis of acquisition and retention of customers and regional analysis
- It will also look at customer dynamics, for example, in terms of how different types of customers have responded to the new REC protections

Questions/comments raised:

Question: Approach to competitive dynamics – can you say more about the analytical framework i.e., will it be similar to the CMA’s market analysis (a well-established framework including customer awareness etc.)

Answer: Still TBC but will be tied into understanding different customer segments in the market and their experiences. Must consider the data that's available for this and its quality.

Question: How will Ofwat link into the work that the Strategic Panel is doing to define a roadmap to a flourishing market?

Answer: Ofwat will be involved in the development of the roadmap (through representatives on the Panel) and it's important to maintain consistency. Ofwat has its own statutory duties to meet but needs to link into this work to ensure consistency of the data and metrics we want to track in the future.

Question: CCW produced its own 'State of the Market' report ([Five Year Review of the Market](#)) – is there any commonality between Ofwat and CCW findings?

Answer: Ofwat is conscious of CCW's views and works with them on some of the metrics. CCW has chosen to interpret results in a different way – for example, Ofwat is not focused on switching metrics or customer switching targets.

Question: Can trading parties contribute to the development of the monitoring framework discussed?

Answer: Yes, but on a more informal basis rather than through formal consultations.

Update on Strategic Panel priorities – Lucy Darch, Strategic Panel retailer representative

Lucy Darch, retailer representative on the Strategic Panel and CEO of Wave Utilities presented on the Strategic Panel's priorities – what it has delivered in 2022/23 and how it has streamlined its priorities document for 2023/24.

The Panel's first [Annual Report](#) was published on 11 September, outlining the Panel's deliverables and costs for 2022/23. The updated priorities document was published in parallel. Both documents are available on the [Strategic Panel publications page](#) of the MOSL website.

Key points:

- Noted the Panel's composition and independence
- Clear outcomes and priorities are set which inform the development of roadmaps (including flourishing roadmap mentioned above)
- Noted the market has had a lot more engagement on PR24 than it did for PR19 which is positive
- Feels like conversations have progressed – particularly in areas such as smart metering

- Challenge now will be to define the roadmap to a flourishing market and demonstrate to Ofwat that price caps can be removed in the retail space
- Discussed the detailed points on progress under each priority area (see slides 14-17)
- Highlighted incremental improvements to the current Market Performance Framework (based on feedback from trading parties to do more to benefit customers quicker) – this includes incentives, APIs and improved granular reporting through My MOSL
- Noted the value of the RWG work on water efficiency – the Strategic Panel endorses this work
- Noted the importance of getting tariffs right – need to drive the right customer (as well as trading party) behaviours
- Noted improvements on metering.

Questions/comments raised:

Question: How has the work on Supplier of Last Resort progressed?

Answer: There has been progress on the data element of this in particular. MOSL and Ofwat are having regular conversations. Key to this is how the incoming retailer can get enough data to ensure they are able to operate/take on customers. A code change (CPW137) has been approved to ensure that the data can be made available from the outgoing retailer to the incoming retailer via MOSL. This will be implemented in the coming months.

Additional view from Ofwat: The silver bullet on this would be legislation but that's not going to happen. Ofwat is working with MOSL to improve the current arrangements. Ofwat will be publishing a consultation (w/c 18 September) to explore incentivising retailers to take on the role of interim retailers and make the current process easier.

Question: Noted Strategic Panel REC response was excellent, but can sometimes be difficult to understand where the Panel's "paw print" is i.e., what work it is driving specifically?

Answer: Lucy observed that she has a good perspective on this as both a Strategic Panel member and as a member of MOSL's Board (NB: Lucy Darch's Board term ended on 17 September). The Panel has a number of workstream meetings with Ofwat and MOSL – these are key as they allow the Panel to guide its workstreams effectively. It is about shaping and influencing work and ensuring that the outcomes align.

Question: There is a slide on tariffs and incentives (see slide 17) is there a view to linking these to water efficiency?

Answer: Yes. In fact, Wave has been looking at tariff components, volume, and complexity – can be a barrier to entry. There are tariffs which get cheaper the more you use, which don't seem to fit with the 9% reduction target we now have in place for the non-household market.

Strategic Panel Survey Feedback – Pamela Taylor, Independent Panel member

In July, the Strategic Panel published its first annual survey requesting feedback from trading parties and stakeholders on whether the Panel adds value and is a respected voice in the market.

A [summary of the responses](#) and [the full anonymised responses](#) were published on the MOSL website alongside the Strategic Panel's [Annual Report](#).

In this session, Pamela talked through the feedback received and opened up the floor for further input in the room.

Key points:

- Noted how important it is for the Panel to engage and assess its performance across the year
- Noted that 88% of respondents felt like the Panel was making a difference (see slide 23)
- Talked through areas respondents noted the Panel had made the biggest impact (see slide 23)
- Invited feedback from attendees on:
 - Where has the Panel made the biggest impact?
 - Where is there an opportunity for the Panel to make a bigger impact?
 - What could the Panel do to add value?

Questions/comments:

Comment: From an RWG (water efficiency/tariff) perspective we'd like to see this more supported – more support for work on water efficiency and tariff simplification.

Comment: Would welcome strategic direction on how to take forward water efficiency – risk that parties will “go off and do their own thing” otherwise.

Comment: Regulatory input is important – understanding the Panel's ability to influence is key. There is also an opportunity for the Panel to build alignment/understanding of a common and well-defined outcome. Roadmaps are key to this and gaining “buy in” from parties is important through influencing and evidencing – the Panel has a key role here over the next two/three years.

Comment: The Panel should have sight/direction on the areas that might need regulatory change i.e., bigger than what the code change mechanism can cover. Agree that tariffs are one of these areas – the focus is on them being cost reflective but standardisation in structure e.g., falling block tariffs, would be helpful.

Comment: (additional point on the above comment from RWG tariff sub group member) We're bumping into policy issues (cost reflectivity versus water efficiency incentives). Would value exploratory work to understand the impacts and effects of meaningful change. There are some big and difficult decisions that will be hard for

the RWG to resolve – we need to look at the tariff framework at a fundamental level. The RWG would welcome support from the Panel to “step this up”.

Question: RWG has given a clear direction on standardisation/simplification/harmonisation so is the question how we get wholesalers to move at pace?

Comment: Need to look at how we incentivise water efficiency – trials make sense, but we don’t want to duplicate, needs to be managed in a sensible way. The Panel can support in coalescing around a strategic direction. The RWG has the ability to recommend change but not to implement or enforce it. The Panel can lend more support/direction to the RWG in water efficiency and tariffs and “add weight”.

Comment: There is a desire to give more authority to tariff work – could be similar approach to how MOSL/Strategic Panel developed the National Metering Strategy. Perhaps we need to strengthen links between RWG and the Panel to support work and alignment.

Question: In the draft Water Resource Management Plans (WRMPs) there is lots of talk about setting up partnerships. Could the Panel support these partnerships and the adoption of best practice?

Comment: It’s important that we don’t underestimate the challenge of water efficiency – noted discrepancy between growing the economy and reducing consumption (competing drivers i.e., hydrogen production has big draws on water)

Comment: Some problems/constraints are similar across both household and NHH so need to think across the sector, not just across the market.

Pamela summarised three areas:

- Look at issues where policy needs unblocking
- Look at issues which require national coordination
- Look at areas where companies need to be held accountable

Strategic Metering Update – Martin Hall, MOSL

MOSL Programme Lead for Metering, Martin Hall, presented an update on metering initiatives including the Strategic Metering Review’s strategic themes and Quick Start Projects (QSPs).

Key points:

- Not just about getting smart metering in the ground – its about how to deliver benefits - how do we use the data to drive improvement and better customer service

- Noted challenges about how best to share data and data interoperability – potential for data sharing platform like energy
- As well as strategic work, Martin noted the QSPs being taken forward to address tactical issues i.e., hard to read meters and managing sub meters

Questions/comments:

Comment: Availability of smart meters is out of the hands of retailers and MOSL. We need the communications infrastructure and ability to analyse and use the data.

Comment: Reflections from a wholesaler – issues include chip availability, premises access challenges – needed to ramp up resources to improve delivery of smart meters. Really important that wholesalers embrace the interoperability standard, or we will face significant issues going forward.

Question: Recognise the competing pressures, but smart metering is critical to better service, water efficiency etc. Is there a cause to revisit how smart is delivered i.e., an independent meter market?

Answer: We are aware of meter providers that would like to deliver meters and data as a service – it's something we should be aware of.

Comment: The majority of the market are low consuming customers, and the cost of a smart meter would be a high proportion of their bill in the first year. We need to be smarter about where we install smart to get the best benefit quickest.

Comment: There are aspects of the framework that would allow different entities to be licensed to provide these services – developing this out into a model similar to energy would require legislative change but some aspects could be delivered using existing provisions around licensing these entities.

Comment: (From independent Panel member) Wholesalers will be good at rolling out in quantity but don't have the relationship with customers so we shouldn't rule out other ways of managing it – noting lessons learnt from energy where some customers aren't getting any benefit from smart metering (or using new tariffs).

Comment: From a retailer perspective – we need visibility at a customer level on who will and who won't get a smart meter – customers won't invest in data loggers, for example, if they are anticipating a smart meter (noting payback on loggers is a number of years). Different wholesalers are better at communicating plans than others – this makes it hard to manage communications with customers (particularly multi-sites which may see inconsistency).

Comment: Not all non-household will look the same – detecting continuous flow (CF) is a challenge. Understanding the nature of customer sites and what level of CF is reasonable is important. There is a big opportunity to share information and data to build up this view, understand consumption patterns and improve consistency.

Market Improvement Fund – Steve Formoy, MOSL

MOSL’s Finance Director, Steve Formoy, presented on the Strategic Panel’s Market Improvement Fund, including successful projects from rounds one and two and the upcoming round three information.

More information is available on the [MIF page](#) of the MOSL website.

Key points:

- Noted it is a Strategic Panel fund, not a MOSL fund
- Highlighted focus on water efficiency projects for round three
- Outlined timeline – submission window open 1-10 November (successful projects announced in March 2024)

Questions/comments:

Question: Had questions/issues previously about what is considered BAU, particularly with water efficiency work – could this be discounted as BAU given ODI targets in the price review?

Answer: If unsure, raise an expression of interest and MOSL is happy to support, but the Panel is keen to see projects bids with water efficiency in mind.

Question: Is there a need for alignment between this fund and Ofwat’s Water Efficiency fund?

Answer: We work closely with Ofwat to ensure the funds work together (noting funds are different scales). We don’t see funds competing with each other.

Question: Will there be a fund under the new Market Performance Framework?

Answer: Its too early to know. It depends on the charges that feature in the new MPF. We will then need to look at whether there is “enough money in the pot”.

Response to answer: Rather than saying “is there enough money” it would be good to agree that if these projects are delivering value, we need to create and provide a funding element within the market - not necessarily driven by performance charges.

Future Challenges workshop – Paul Smith, Independent Panel member

This session focused on workshopping ‘future challenges’ in groups. Groups were asked to create a problem statement for one topic and ranked all areas in terms of priority (including any additional areas they wanted to include). See slide 55. The areas were:

- Trade Effluent
- Developer services
- Tariffs
- Settlement
- Open Data

The rankings for the groups can be found in the table below. 1 being the highest priority and 5 being the lowest priority.

| | Group One | Group Two | Group Three | Group Four | Group Five |
|--------------------|-----------|-----------|-------------|------------|------------|
| Trade Effluent | 5 | 4 | 3 | | 3 |
| Developer Services | 4 | 5 | 5 | | 4 |
| Tariffs | 1 | 1 | 2 | 1 | 1 |
| Settlement | 2 | 2 | 1 | 2 | 2 |
| Open Data | 3 | 3 | 4 | | 5 |

Below are the problem statements for each area as well as additional commentary from each group. For the second workshop (see slide 61) the groups focused on the three highest ranking areas: Tariffs, Settlement and Open Data, hence more commentary being included for these three.

Trade Effluent

Market Trade Effluent is difficult to bill due to complexity and inconsistency. Wholesalers are responsible for taking samples and retailers are responsible for reading meters. There is also limited choice for customers as not all retailers are knowledgeable on TE calculations.

Developer Services

The journey of sites through the system is arduous and complex. It affects a small number of customers but affects them significantly – serious customer pain point.

Additional points:

- Possible tension between D-MeX and R-Mex
- Self lay and NAV interactions add complexity
- Question as to whether they should still be in the market (in Scotland they have been taken out)

Tariffs

The current approach is frustrating progress due to complexity and inconsistency and legacy tariffs. Few tariffs incentivise the right action for water saving.

Additional points:

- Work will require RWG but also high-level drive from Panel or Ofwat to make change happen
- Important to also consider wastewater – changing consumer behaviours on this as well as potable water
- There is alignment between tariffs and settlement
- Two main issues – tariff simplification and ensuring tariffs incentivise water efficiency
- Reference of the [RWG report on tariff simplification](#) – possibility for Panel to endorse this report
- Panel should set the direction for trading parties to deliver
- The Panel commission report (as set out in [Annual Report](#)) needs to look at funding for water efficiency and how this translates to tariffs
- Need to pilot alternatives – there will be regulatory impacts
- Should look at “elbow points” i.e., tariff structure bandings
- Should consider research/studies already published – i.e., change in bulk tariffs don’t drive a change in customer behaviour – need to look at wider drivers
- Need to consider alternatives to cost reflective tariffs

Settlement

Burdensome process, not aligned to way the market should operate. Limited options to resolve issues “in the market rules” i.e., mechanisms not in place and it takes too long to resolve issues.

Additional points:

- We need a more responsive process aligned to real life (more responsive to consider smart meters)
- Need a two-tier system to factor in those customers who may never move to smart i.e., farms
- Current barriers are systems, codes and manual resource burden handling runs and adjustments
- Issues with eligibility and properties that shouldn’t be in the market -resolving charges and correcting payments takes time and is a challenge (can also be timed out)
- Could be a role for the Panel to set the direction for MOSL and trading parties to then progress

Open Data

Need to define the problem we are trying to fix with open data, needs to be more clearly articulated and the benefits to be defined.

Additional points:

- There may be benefits in joining with data from energy market but these need to be defined

- Open data is about innovation, so there may be opportunities that are being missed i.e., where data is not currently available
- If customers can see and amend their own data, it may improve efficiency but question mark as to what the appropriate level of access is given the quality of data and GDPR
- Opening up data may drive improvements in data quality however question as to whether the data is of good enough quality to deliver benefits if opened up now
- May be a case for a centralised aggregated data which grows as smart data grows
- Would welcome Strategic Panel direction at a national level – can also be useful to groups outside of water.

Additional 'future challenges' raised in the room (outside of the five above provided above) included:

Environment – What can retailers do for the environment noting wholesalers' responsibility for river health, natural habitats, net zero and water quality etc. Should there be greater links?

Promoting the market – Engaging small customers and lower volume users. Should this be part of the flourishing market roadmap? Consider both raising awareness on ability to switch and raising awareness of the benefits of the market.

If you have any questions on this summary document, please email panel.secretariat@mosl.co.uk.