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Dear Sarah

Strategic Panel Response to MOSL 2024/27 Business Plan

The Strategic Panel thanks MOSL for the opportunity to comment on the MOSL 2024/27 Draft Business Plan. Panel Members support a well-resourced, expert Market Operator that delivers value-adding services and programmes that improve the market. With this in mind, the Panel supports MOSL's draft 2024/27 Business Plan.

Consistency with Panel Priorities and Market Outcomes

The Panel continues to prioritise value creation, water efficiency and excellent customer service as key market outcomes. Panel Members place strategic importance on these matters and welcome MOSL's focus on work that aligns with these goals in its 2024/27 strategy and 2024/27 business plan.

Prudent Management of Core Costs

The Panel remains mindful of the challenging economic environment and the need to carefully manage costs. However, Panel Members also see a general benefit where a central provider such as MOSL can provide value through enhanced services. While this may result in an increase in costs at the center, it can be more efficient than a distributed delivery across the market. With this in mind, the Panel supports MOSL's strategic principle to focus on delivering services where it is best placed to support trading parties and help the market flourish, and/or the only one able to fulfil the role.

It is essential to ensure that, overall, customers pay a fair price for the services they receive. All stakeholders, including the Market Operator, need to deliver excellent value at a reasonable cost. The Panel therefore welcomes the real-terms reduction in core costs for Market Operator services since market go-live. However, while MOSL must continue to drive efficiency, the Panel feels such reductions will be harder to achieve as efficiency gains are baked into delivery of those services.

Investment in Improvement Programmes

The Panel believes that the time is right to invest in services that can bring value to trading parties and customers to support regulatory confidence in the market and ensure cost allocation within the market reflects the water and waste-water services that are provided to retailers (and their customers).

- **MPF Reform:** It is the Panel's view that the proposed improvement plans and costs associated with reforming the Market Performance Framework appear reasonable. The Panel acknowledges the general support received from the majority of trading parties on the proposed MPF model. A reformed MPF can increase regulatory confidence in the market, improve efficiency and deliver better outcomes for customers. There is significant value in a reformed MPF and the Panel supports MOSL in this work. Panel Members believe this to be an important investment by the market and that MOSL must be clear in setting out the benefits to trading parties and customers.
- **Supplier of Last Resort:** The Panel is supportive of ongoing work to ensure the Supplier of Last Resort provisions (the mechanics and the economics) operate to protect customers from trading party failures. Panel Members are encouraged to see ongoing resource for MOSL to continue its work with Ofwat in this area.
- **Systems and Security:** Panel Members are pleased to see MOSL's focus on core systems and cyber security. It is important to ensure that Market Operator systems are robust and that the CMOS is modernised to offer increased flexibility and a reduced cost of change.
- **Water Efficiency:** The Panel has noted MOSL's strategic focus on water security and welcomes this. It is pleased to see a focus on this in data and metering improvement work and suggests that MOSL considers enhancing this messaging in its business plan with regard to water efficiency and wastewater consistent with the broader MOSL strategy.

Supporting the Retailer Wholesaler Group

The Panel notes the request from the Retailer Wholesaler Group for support from the Market Operator and supports MOSL in delivering this support where RWG work aligns with the Panel's priorities and market outcomes. Panel Members support the work of the RWG in driving key market outcomes. Support from the Market operator to the RWG will promote a co-ordinated approach between the RWG and the Strategic Panel. The Panel therefore supports MOSL's response to the RWG's request to support its work on tariffs, settlement and water efficiency.

Rick Hill

Deputy Panel Chair