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Dear Sarah

Strategic Panel Response to MOSL 2025/26 Draft Business Plan

The Strategic Panel thanks MOSL for the opportunity to comment on the MOSL 2025/26 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 2025/26 Business Plan.

Sector Reform

With the government's recently announced reviews of the water sector being undertaken, it is clear that the sector may be on the cusp of potentially significant change. The Panel recognises that the MOSL business plan needs to accommodate the potential to flex considering the outcomes of these reviews and to take on board the views of the Strategic Panel regarding the evolution of the market in light of these reviews and as work on the Panel's Roadmap to a Flourishing Market progresses.

Consistency with the Panel's Priority Market Outcomes and Alignment with the Delivery of the Panel's Roadmap to a Flourishing Market

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 continued focus on work that aligns with these goals in its 2024-27 strategy and 2025/26 business plan.

Additionally, the Panel believes that MOSL's business plan takes account of the actions outlined in the Panel's Roadmap to a Flourishing Market. The Panel recognises that MOSL is undertaking (or is

planning to undertake) work to address the actions in the roadmap that the Panel has indicated MOSL should lead on or provide resources and support to deliver. Further, the Panel welcomes the proposal for additional policy support to be provided to the Panel as it looks to take forward delivery of the roadmap to deliver benefits for customers and the market.

Policy Support

The Panel has a significant role in articulating a strategic direction for the evolution of an efficient and effective market. While MOSL is the organisation charged with providing resources to the Panel (effectively providing the Panel with its executive delivery arm) the Panel is a separate and independent body. In this regard, it is important that the Panel's voice continues to be separate from MOSL as the Panel develops its response to consultations such as the reviews of the water sector, analysis of the impact of the PR24 Final Determinations and potential input into the next REC review. Provision of policy support in this regard will support this approach and will be an important element in the Panel progressing and providing strategic direction on the evolution of the market.

In response to previous MOSL business plans, the Panel has acknowledged the need for flexibility in addressing market issues and risks. Noting the need for flexibility, the Panel requests that it be made clear that funds set aside for consultant support and resource to support strategic initiatives are prioritised for Panel use.

Delivering the Panel Roadmap

The Panel continues to believe it is right to invest in services that 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 wastewater services that are provided to retailers (and their customers). Delivering benefits for trading parties can lead to benefits for customers and the Panel asks MOSL to be clear on identifying distinct benefits for end customers, separately to those delivered for trading parties, in its business plan.

The roadmap acknowledges that the customer experience and market operation are underpinned by accurate data that is accessible and that can be used to develop innovative solutions for customers. With this in mind, the Panel has charged MOSL with delivering specific actions under its Roadmap to a Flourishing Market. MOSL will also play an important enabling and convening role in working with the Panel and other market stakeholders across other areas of the Panel's Roadmap. Panel Members

encourage MOSL to be clear where MOSL is progressing such work to evolve the market in relation to the roadmap. This would include:

- progressing the Panel's National Metering Strategy, including exploration of data sharing mechanisms to provide accurate and accessible market data via a data hub or other such framework;
- outlining the future of settlement and developing smart settlement so that the capabilities of smart meters can support innovation in supply side tariffs which are harmonised across regions and unlock opportunities for load shifting, and support demand side solutions for smarter use of water;
- implementing a reformed Market Performance Framework that appropriately incentivises retailers and wholesalers to deliver positive customer outcomes and encourages them to take corrective measures to rectify poor performance;
- creating a data model for consumption benchmarking by market segment, establishing the minimum standards to which customer consumption data is provided by retailers so that a single source of truth for segment and associated consumption exists against which consumption data can be compared. This will allow the market to provide empirical and unambiguous data on consumption for formal benchmarking and monitoring and will support work on water efficiency and water security.

Prudent Management of Core Costs

As in previous years, the Panel remains mindful of the challenging economic environment and the need to carefully manage costs. Panel Members have noted that where the Panel has requested that MOSL take forward work to evolve the market, the Panel may explore the extent to which the Market Improvement Fund (MIF) could be employed to support such work.

Panel Members continue to 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 centre, it can be more efficient than a distributed delivery across the market. With this in mind, the Panel continues to support 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.

Continued Support for the Retailer Wholesaler Group

The Panel notes the request from the Retailer Wholesaler Group (RWG) for a continuation of the support received from the Market Operator introduced in 2024/25 and supports MOSL in delivering this where RWG work aligns with the Panel's priorities and market outcomes as set out in its roadmap.

In particular the Panel notes the key role RWG Subgroups are playing in taking forward work on tariffs and water efficiency, which are called out as dependencies in the roadmap and the potential role that the RWG could play in the delivery of some of the Roadmap actions.

Trisha McAuley OBE
Strategic Panel Chair