

User Forum

28 May 2020

Meeting etiquette

- Mute microphones if you are not speaking
- Questions at end of each agenda item. To ask a question:
 - “Q: xxxx” in chat box
 - Raise hand
- Full recording and Q&A transcript available after the event.

Agenda

Item	Description	Who	Time
1	<p>Introduction</p> <ul style="list-style-type: none">Looking backDriving market improvements this yearManaging change	Steve Arthur	14:00 – 14:15
2	<p>Annual Market Performance Report (AMPR)</p> <ul style="list-style-type: none">Key themesContent and constructionFeedbackQuestions	Markus Lloyd	14:15 – 14:30
3	<p>Market Performance Operating Plan (MPOP)</p> <ul style="list-style-type: none">Market Performance Framework (MPF) roadmap alignmentConsultation update and next stepsMPOP key themes and workstreamsQuestions	Markus Lloyd and Luke Austin	14:45 – 15:15

Agenda

Item *	Description	Who	Time
4	Strategic Metering Review <ul style="list-style-type: none">◆ Introductions◆ Approach◆ Next steps◆ Questions	Lisa Connell	15:15 – 15:45
5	Interim solution CPW087 – MVI guidance on wholesaler meter reads	Chris Dawson	15:45 – 16:15
6	Close	Steve Arthur	16:15

Introduction

Steve Arthur, Market Performance Director

Annual Market Performance Report 2019/20

Markus Lloyd, Head of Market Performance and Operations

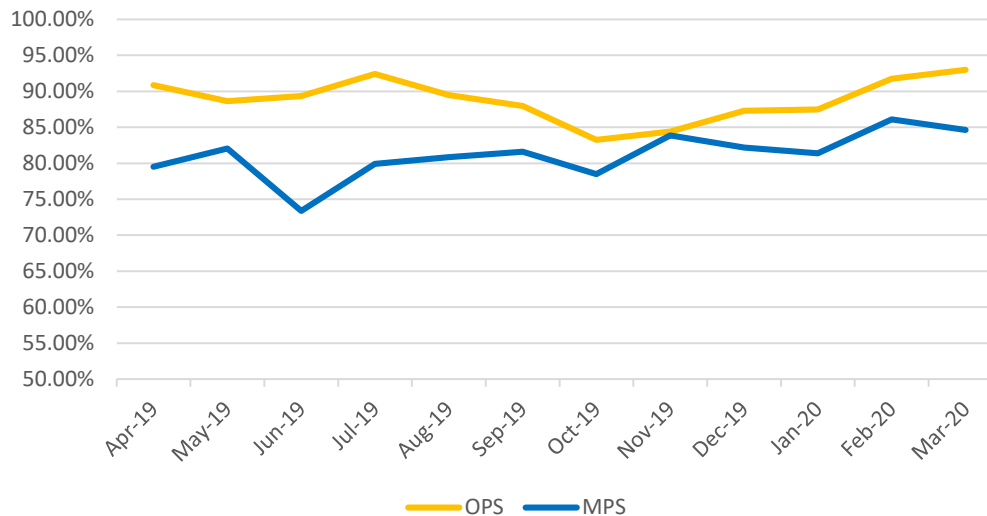
Contributors and Collaborators

- Communications
- Performance
- Operations
- Digital
- PFMs
- Finance
- Compliance
- Bilaterals
- Market Design
- Ofwat
- CC Water
- MPC Chair
- MPC Sub-group.

Hard truths

MPS and OPS performance have not shown levels of improvement expected for year three of water retail market.

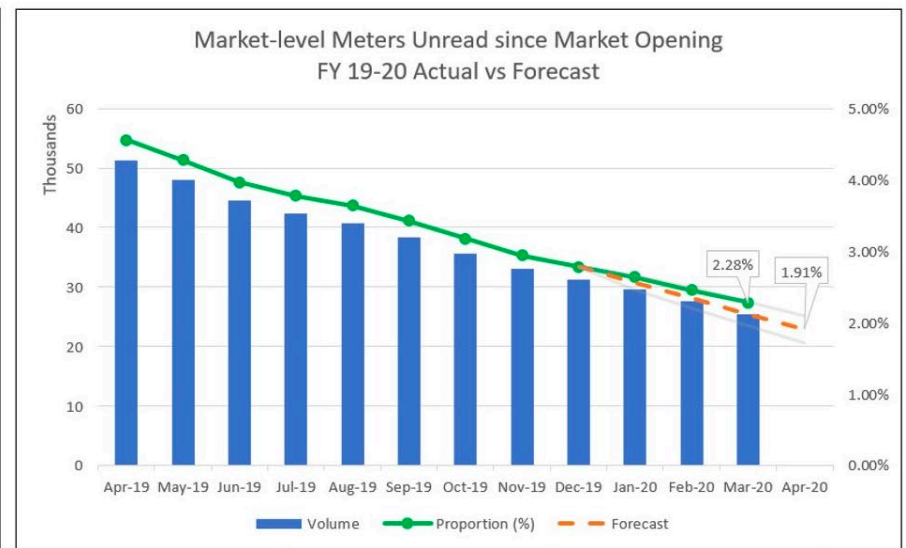
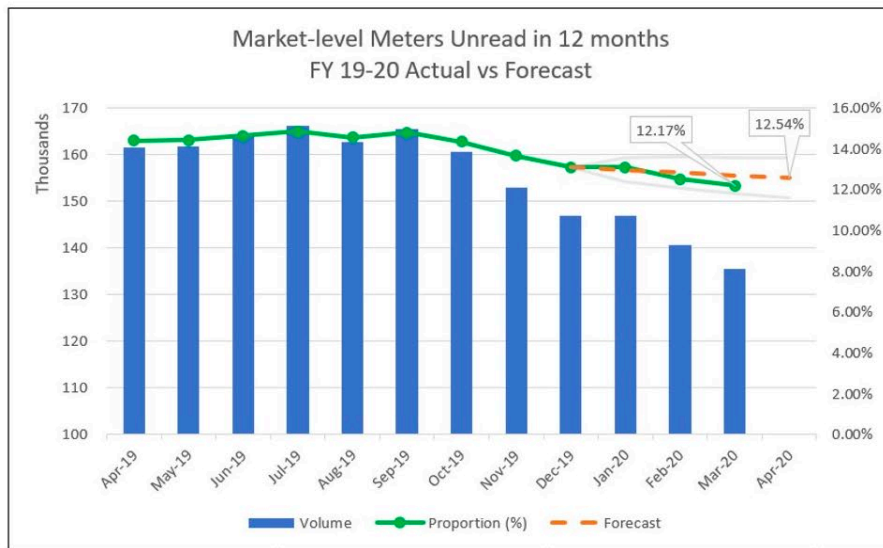
MPS and OPS Performance



- 💧 MPS increased by 5 per cent
- 💧 OPS increased by 2 per cent

Hard truths

Work on unread meters did not deliver reductions expected

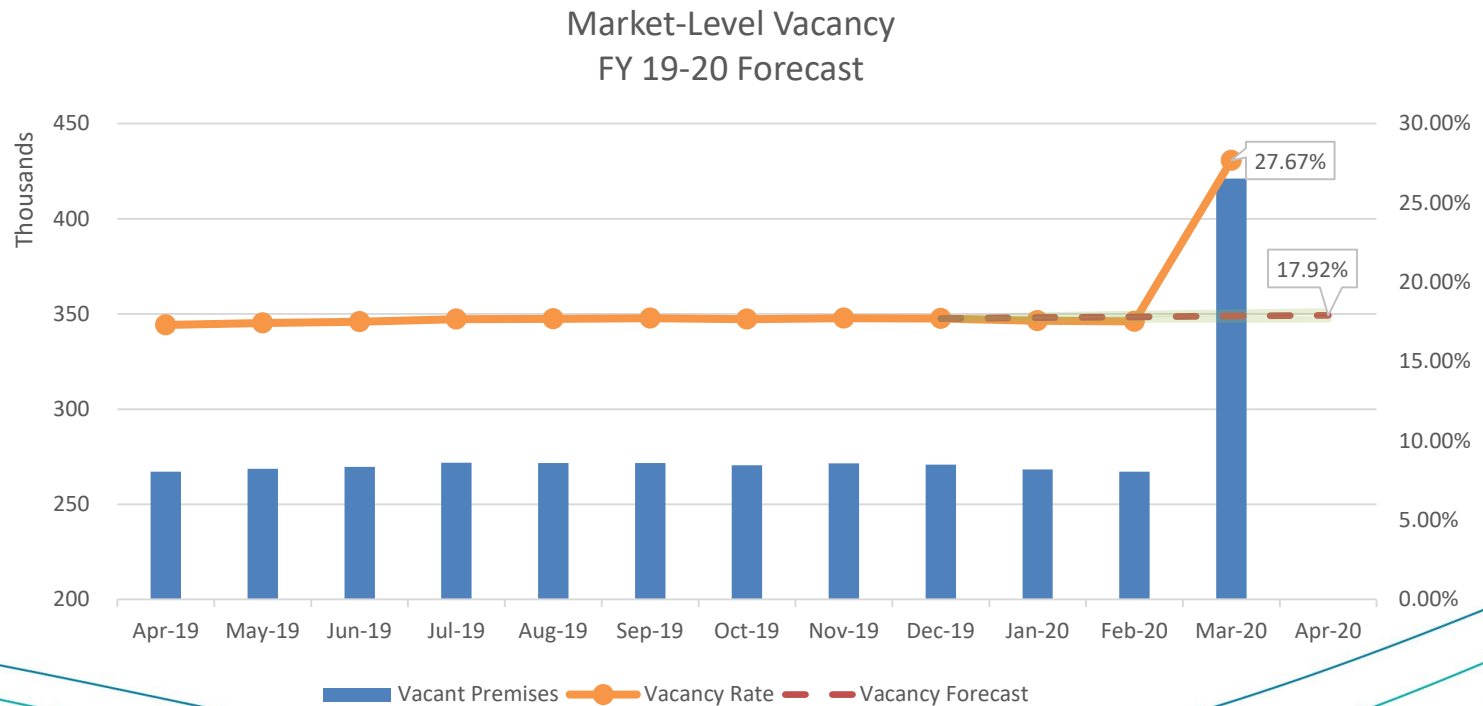


💧 LUM >12 months target: 12 per cent

💧 LUM since market opening: 0 per cent

Hard truths

The drive to reduce the percentage of vacant premises to a national average took time to gain traction. By February 2020, although we had reversed an increase, we were still at the volume seen at Q1.



Recognise success

- ◆ Good progress made in year on priority changes to MPS, including addressing cap, charge levels and timescales for meter reading measures
- ◆ MPF Roadmap work demonstrated benefits of close working between MPC, MOSL, trading parties, Ofwat and CCW
- ◆ Redistribution solution developed to include market fund approach (CPM018)
- ◆ IPRP interventions were 90 per cent successful and a review has generated further improvements to the IPRP process.

COVID-19

“You’re only as good as your last crisis”

Impacted by COVID

- ◆ Success in the drive to read the Long Unread Meters
- ◆ Success in the reversal of listing as vacant.

Driven by COVID

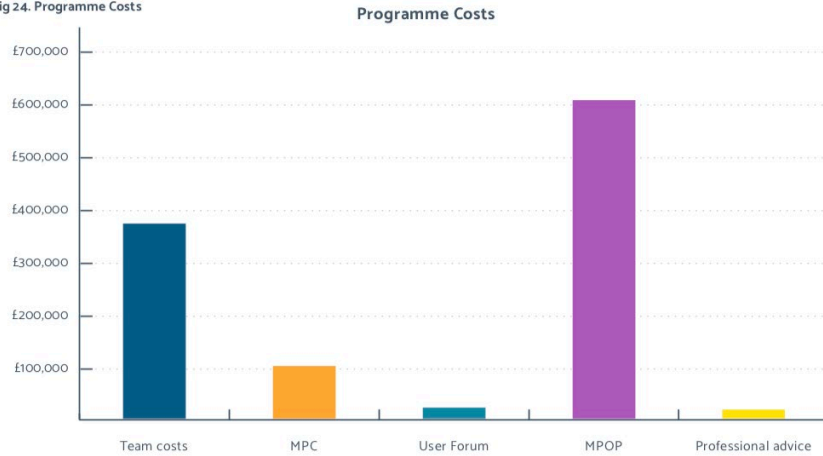
- ◆ “What just happened” reporting
- ◆ Customer segmentation
- ◆ Customer Consumption focus.

Rapid Response

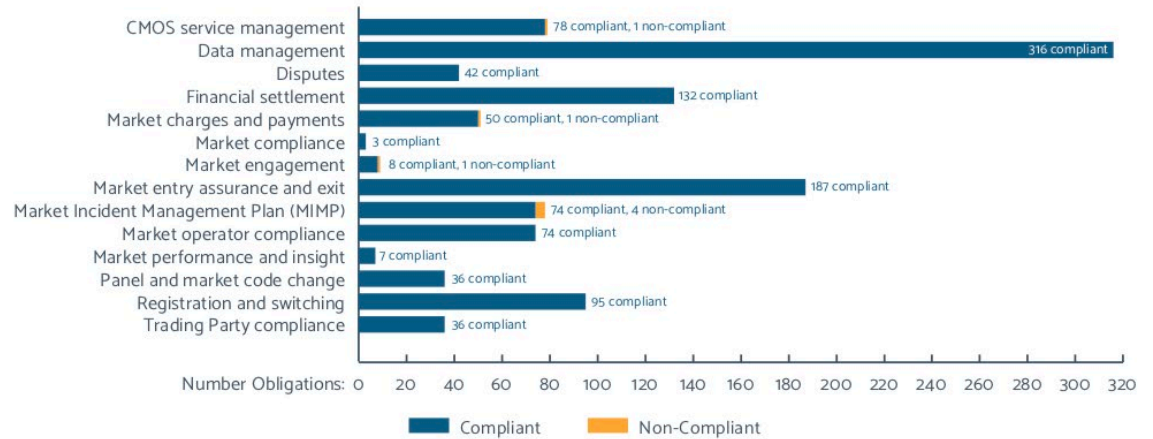
- ◆ Panel
- ◆ Ofwat
- ◆ MOSL (all departments).

Transparency

Fig 24. Programme Costs



Market Operator Compliance



Lessons learnt – what went well?

- ◆ Document was drafted early with support from across MOSL's internal teams
- ◆ MPC sub-group was established to review the document
- ◆ Initial finance and compliance information provided early through senior level input (Director level), comprehensive update included in final report to support MOSL's commitment to greater transparency
- ◆ Key messages were clearly outlined and communicated to the market through the executive summary and supporting communications.

Lessons learnt – what could have been better?

- ◆ Getting key stakeholder engaged and excited earlier
- ◆ Include a User Forum input slot early in the process
- ◆ When appointing points of contact, start high and then receive guidance on the right person to support
- ◆ Align AMPR comms plan to overarching Market Performance Plan
- ◆ Include comms in initial kick off meeting with MPC sub group (to support writing of AMPR comms plan).

Lessons learnt – what does the report tell us?

- ◆ Pace of improvement needs to increase to address inherent market issues
- ◆ Driving the market by metrics focused on “take and submit” does not generate the desired rate of change
- ◆ The quality of data needs to be better to underpin market intelligence and insight
- ◆ Good examples of collaboration through pairing improvement plans
- ◆ Targeted efforts in some areas to ‘move the dial in performance’
- ◆ Consumption has not changed significantly.

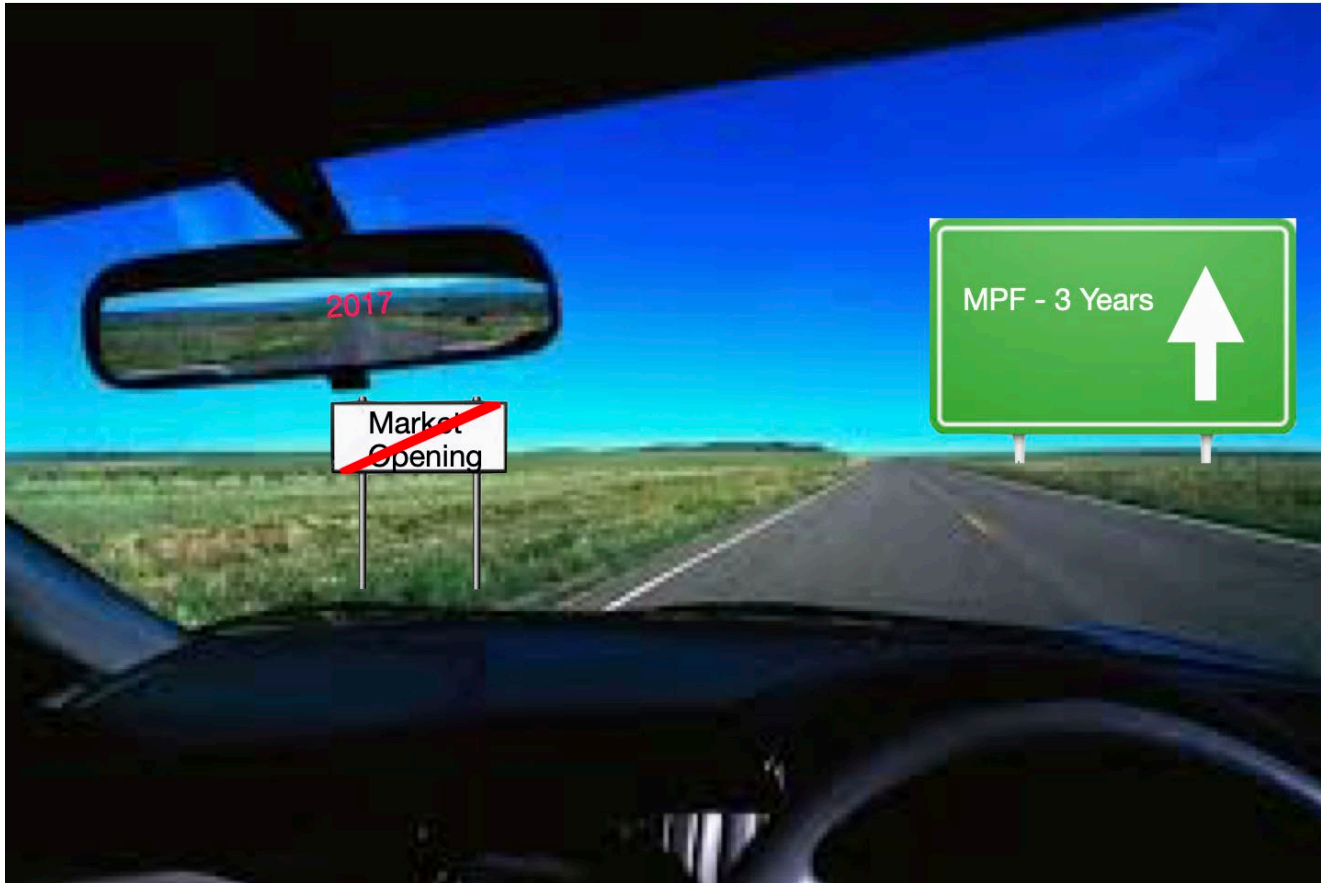
These observations are addressed by the 2020/21 Market Performance Operating Plan (MPOP) as preconditions to a Market Performance Roadmap which is capable of achieving consumption-based metrics. This will be addressed in the MPOP 2020/21 presentation.

Questions

Market Performance Operating Plan 2020/21

*Markus Lloyd, Head of Market Performance and Operations,
and Luke Austin, Market Improvement Lead*

Market Performance Operating Plan 2020/21



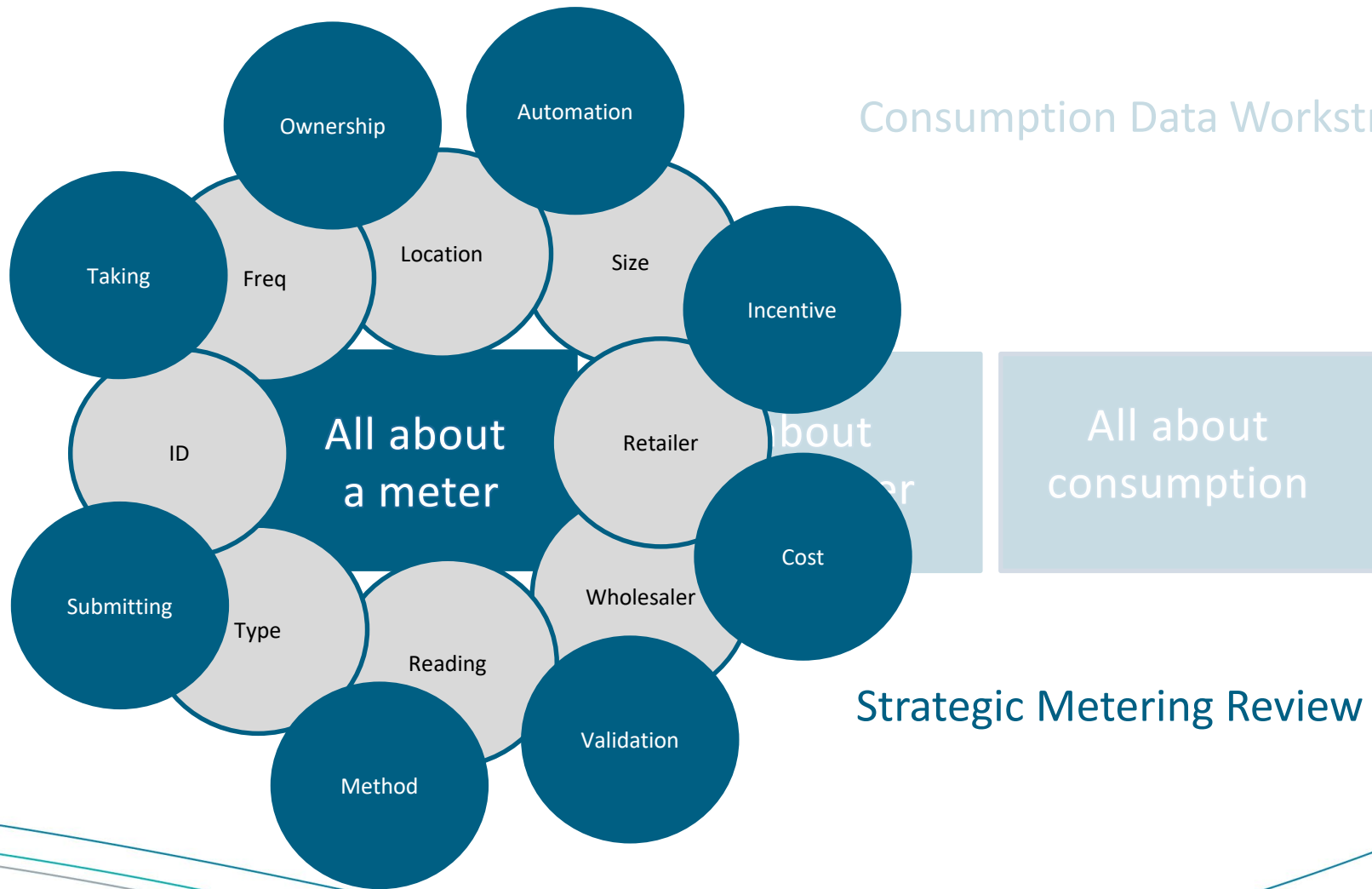
What's it all about?

All about
a meter

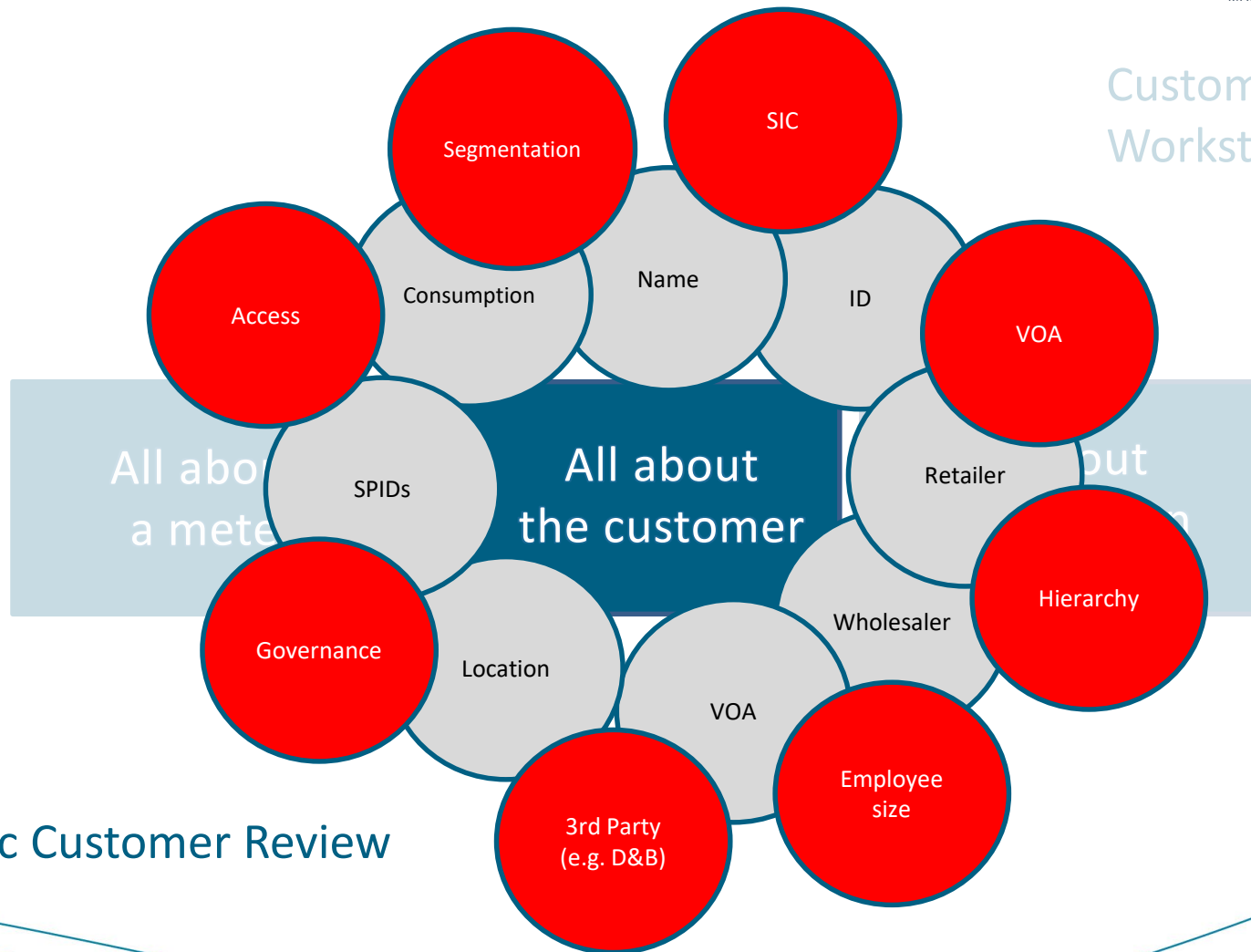
All about
the customer

All about
consumption

Smooth running, no jams, no potholes

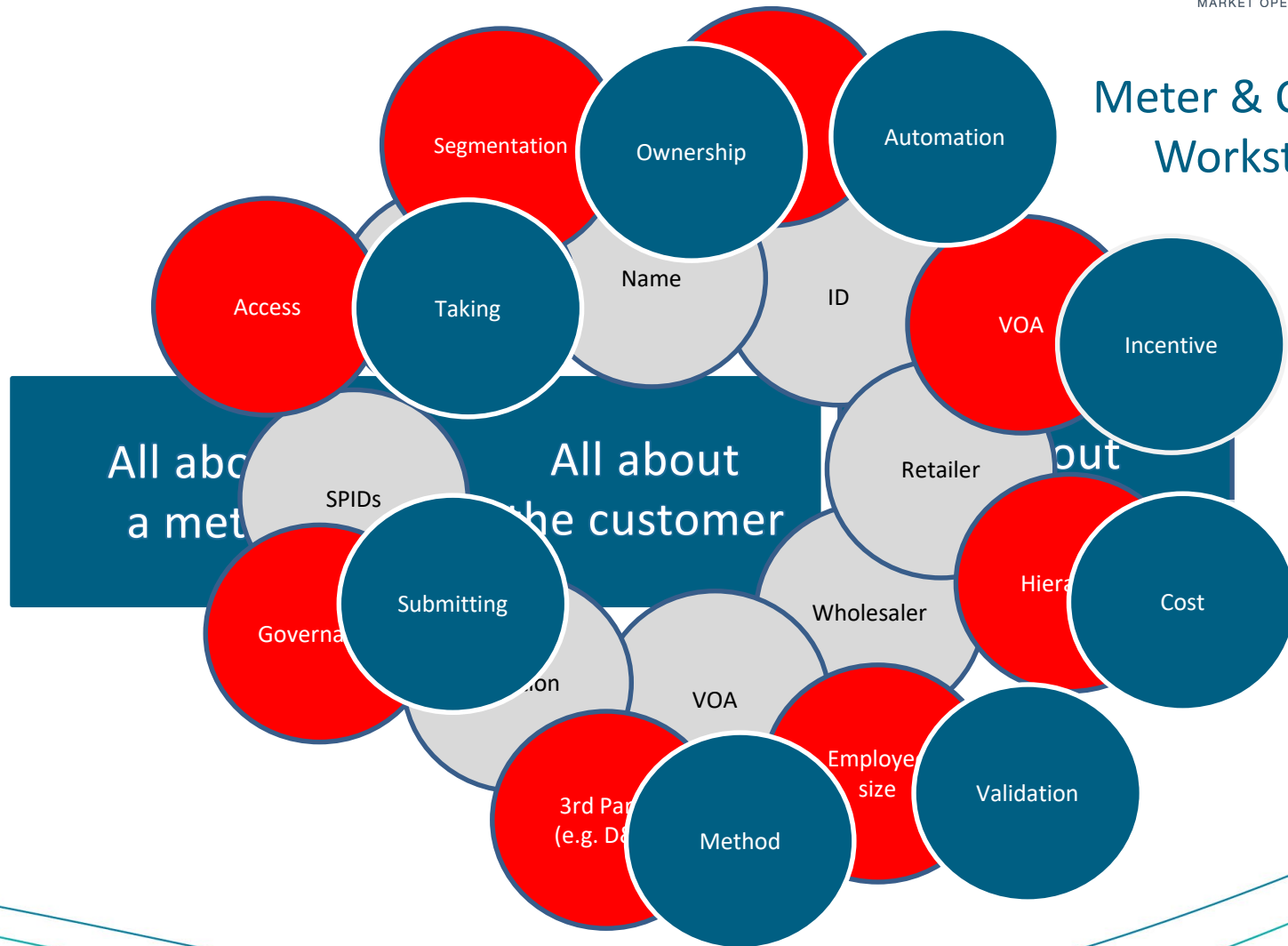


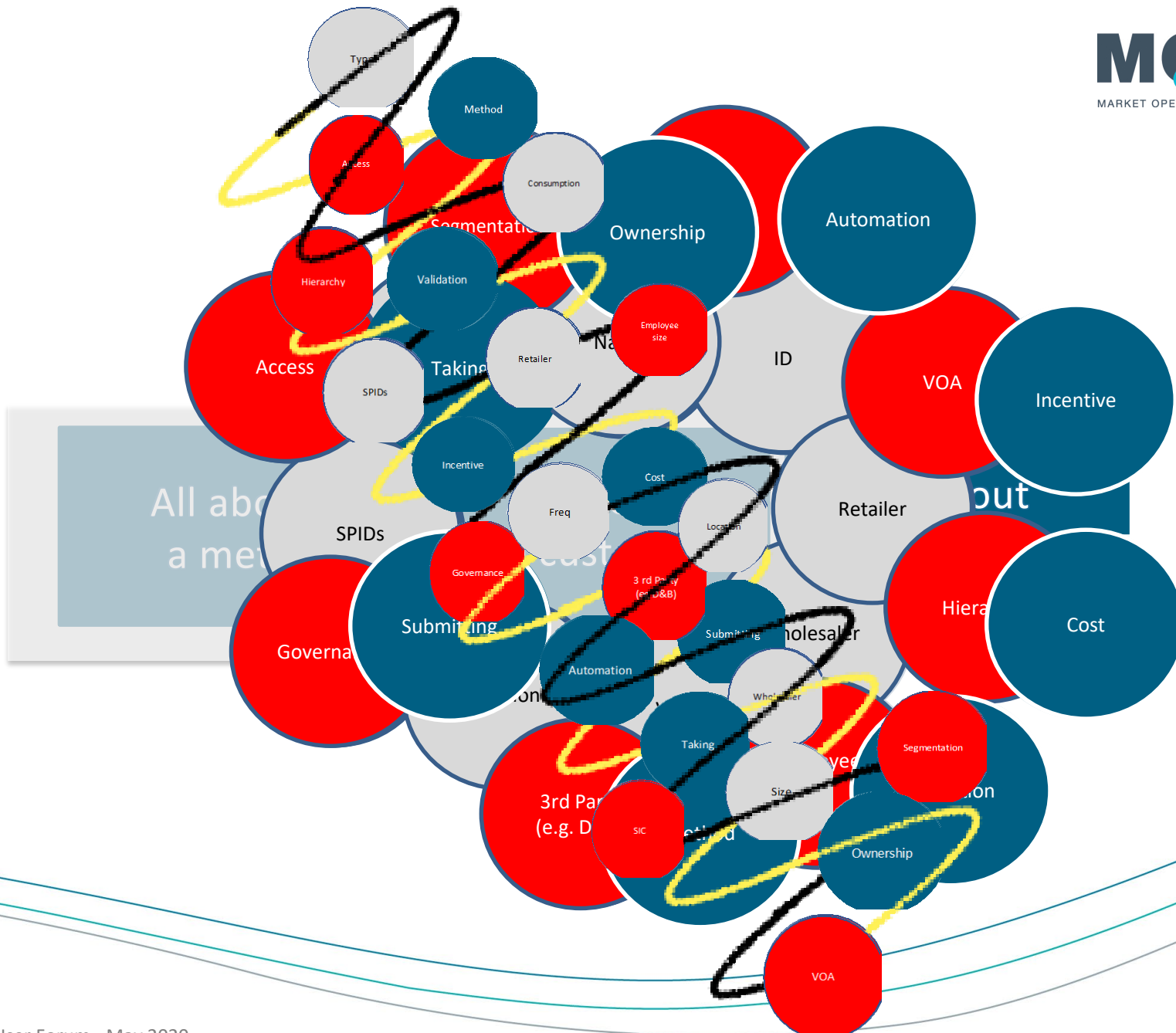
Customer Data Workstream



Strategic Customer Review

Meter & Customer Workstreams





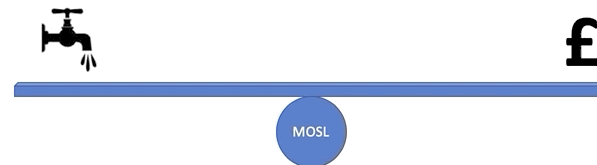
Water Consumption Dilemma

The model we use needs to do more to **incentivise** water efficiency



**Customer
Consumption**

**Retailer
Profit**



The higher the customer consumption the higher the retailer profit, and vice versa

Option 1: Maintain a reading based model

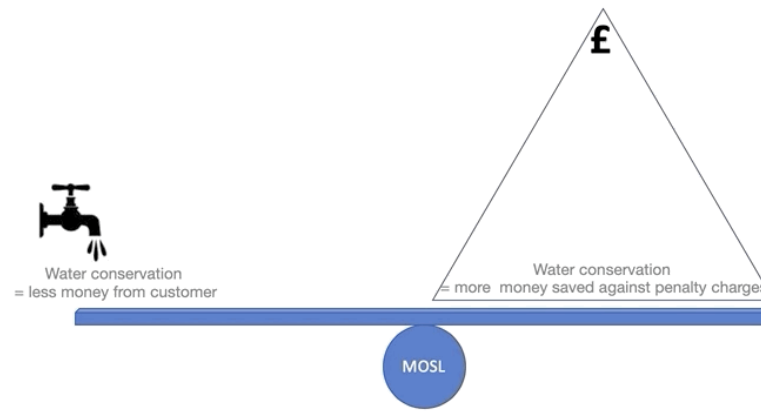
- 💧 Mitigate the disincentive by ‘tinkering’ with the model
- 💧 Adjust charges
- 💧 Adjust metrics
- 💧 Reward good behaviour – e.g. data integrity
- 💧 Penalise failure against metrics.

Option 2: Changing to a consumption driven model

- 💧 The less the customer uses, the less the retailer loses
- 💧 Water conservation improves retailer reputation
- 💧 Water reputation creates retailer consultation
- 💧 Consultation generates remuneration
- 💧 “If you save it, they will come”.

Starting assumptions:

- The retailer has factored in the anticipated MPS/ OPS charges
- Any charges not incurred become 'revenue'
- Not incurring charges is representative of best practice
- Best practice attracts customers
- Customers = revenue.



Best Practice in the NHH market includes:

- Timely billing
- Accurate billing
- Customer service
- Customer cost reduction
- Water conservation.

Driving behaviours that attract customers

The Market Performance Roadmap

A three-year journey taking the market from a framework focused on meter read submission to a multi-metric solution that rewards water efficiency and encourages competition.

As an illustrative example, a model of five levels of metrics could be envisaged:

1. Basic meter submission
2. Retailer/Wholesaler pairing activities
3. Quality meter data
4. Customer data
5. Consumption data.



Meter reading

Level 1 trading party

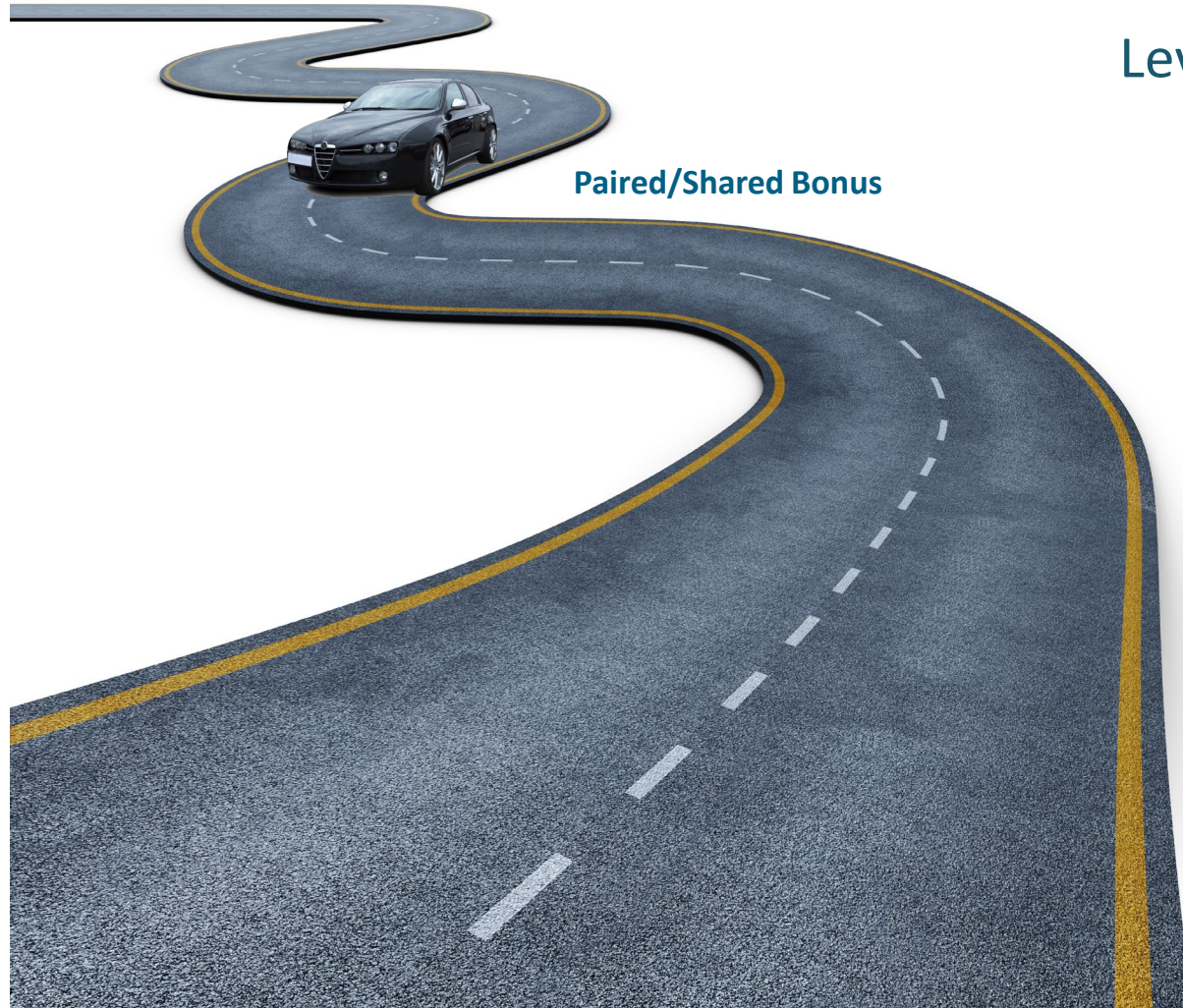
Driven by “take and submit”
Current model



Level 2

Level up

Driven by paired vacancy levels. Achieving a reduction of 15 per cent vacancy places the owning RTL and WSL on a new set of metrics (even as simple as a reduction of 50 per cent of current charges)



Paired/Shared Bonus

Level 2 trading party

- ◆ Are you in step with your wholesaler?
- ◆ Strong relationship between wholesaler and retailer is beneficial to the customer
- ◆ Sets strong foundations for future build.

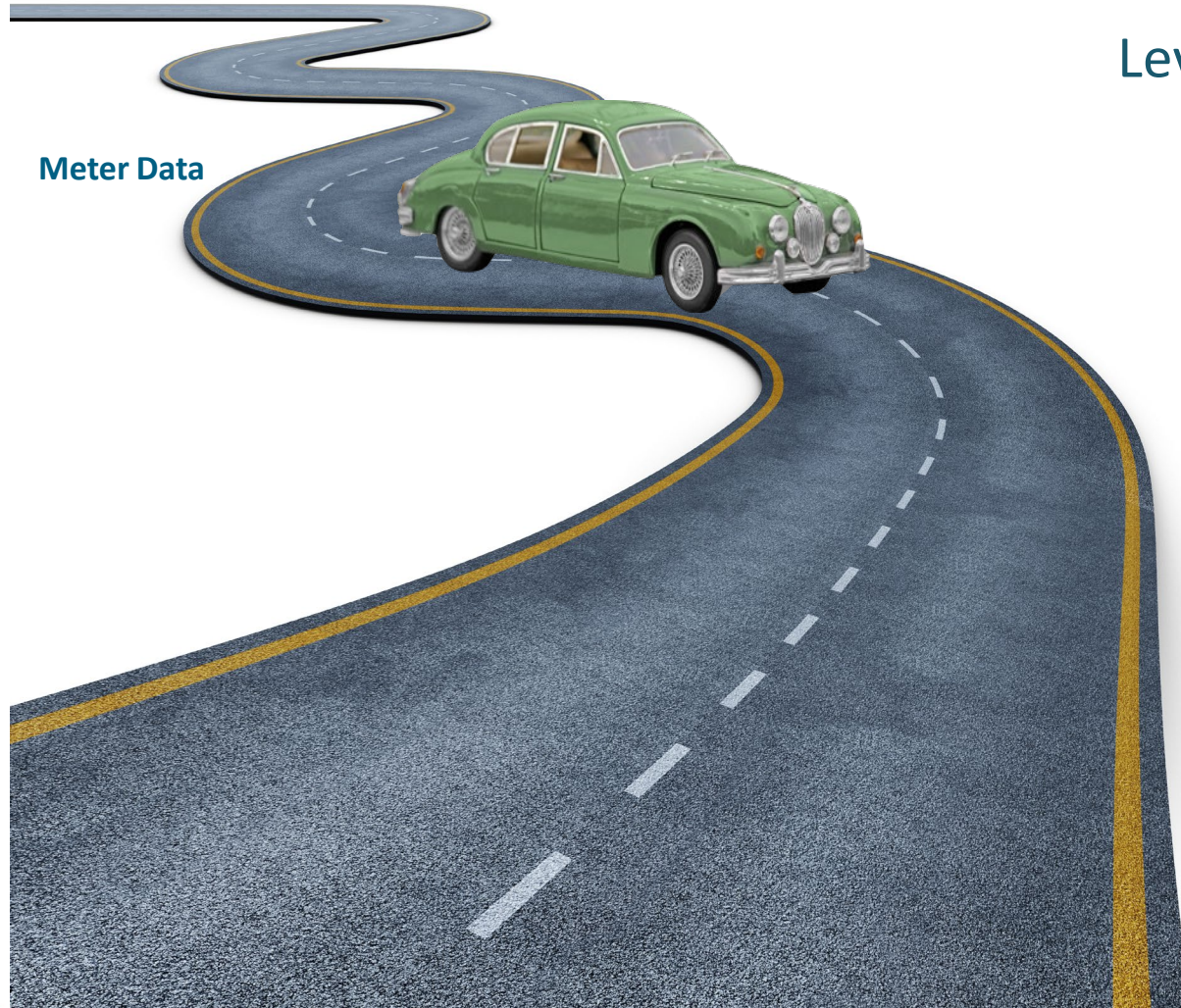
Level 3

Level up

A high standard of meter data e.g. 80 percent of your meters contain accurate base data on:

- ◆ WSL
- ◆ RTL
- ◆ Customer
- ◆ Location
- ◆ ID
- ◆ Size
- ◆ Frequency of read
- ◆ In date read.

Meter Data



Level 3 trading party

- ◆ Are all your meters up to date, i.e. read in time and contain realistic data?
- ◆ Reward based on reduced charges.

Level 4

Level up

Reach a standard of Customer data, e.g. 80 per cent of your customer base contains accurate segmentation, location etc.

Level 4 trading party

- ◆ Can we group your customer base on CMOS by segment (e.g. using SIC)
- ◆ Is the meter data (size, customer, read, location) sufficient to allow a view of consumption by volume/ segment/ location?



Customer data

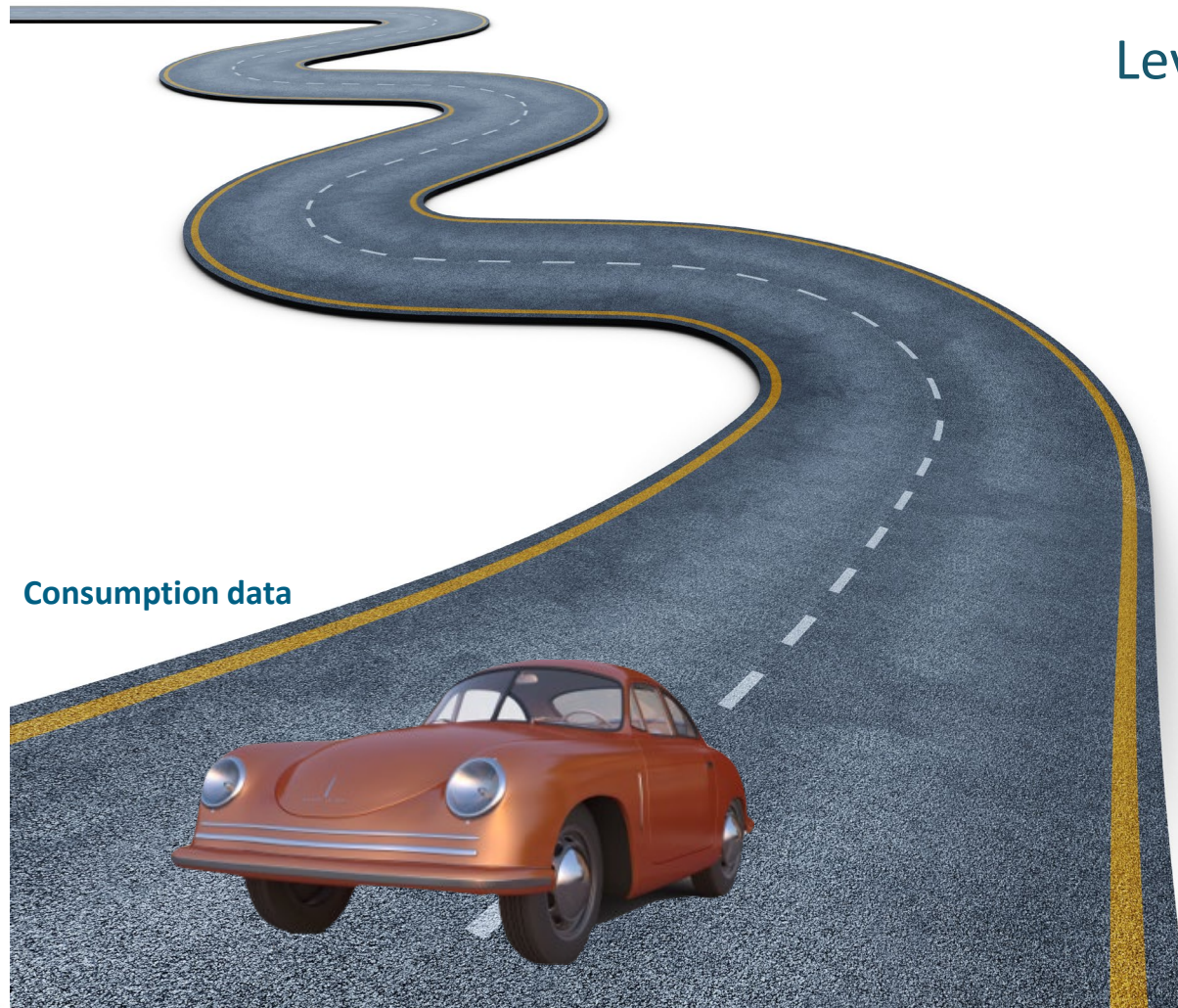
Level 5

Level 5 trading party

Industry expert

Level up

- ◆ Saving your customers water and money
- ◆ Providing insight on consumption
- ◆ Providing insight on customer service to Ofwat and Defra.



The Market Performance Operating Plan (MPOP)



Fixing the road



Strategic Reviews



Focused Workstreams

A. High quality customer, premise and asset data

Addressing current and legacy issues with the completeness and accuracy of the market dataset, which are limiting the ability of wholesalers and retailers to provide an excellent customer experience and causing operational friction between trading parties

B. Timely and robust consumption data

Addressing challenges with the maintenance and management of consumption data, which impacts customer billing, efficient switching and settlement accuracy. This will also support the delivery of insight for wider market water efficiency and leakage initiatives.

MPOP 2020/21 update

Progress to date:

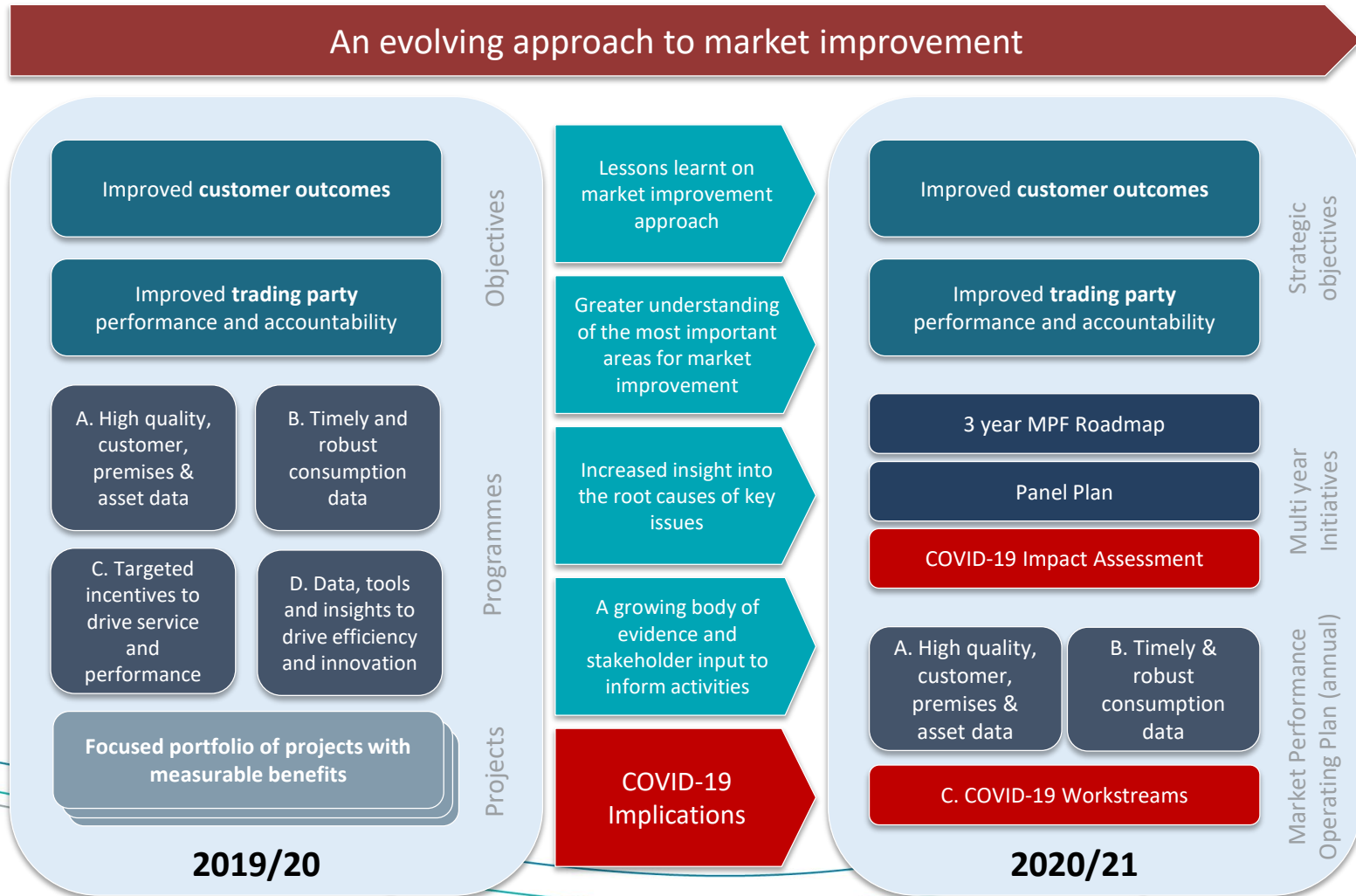
- 💧 Consultation opened: **Tuesday 18 May**
- 💧 Consultation closed: **Wednesday 3 June**

**MPOP 2020/21 consultation closes:
Wednesday 3 June**

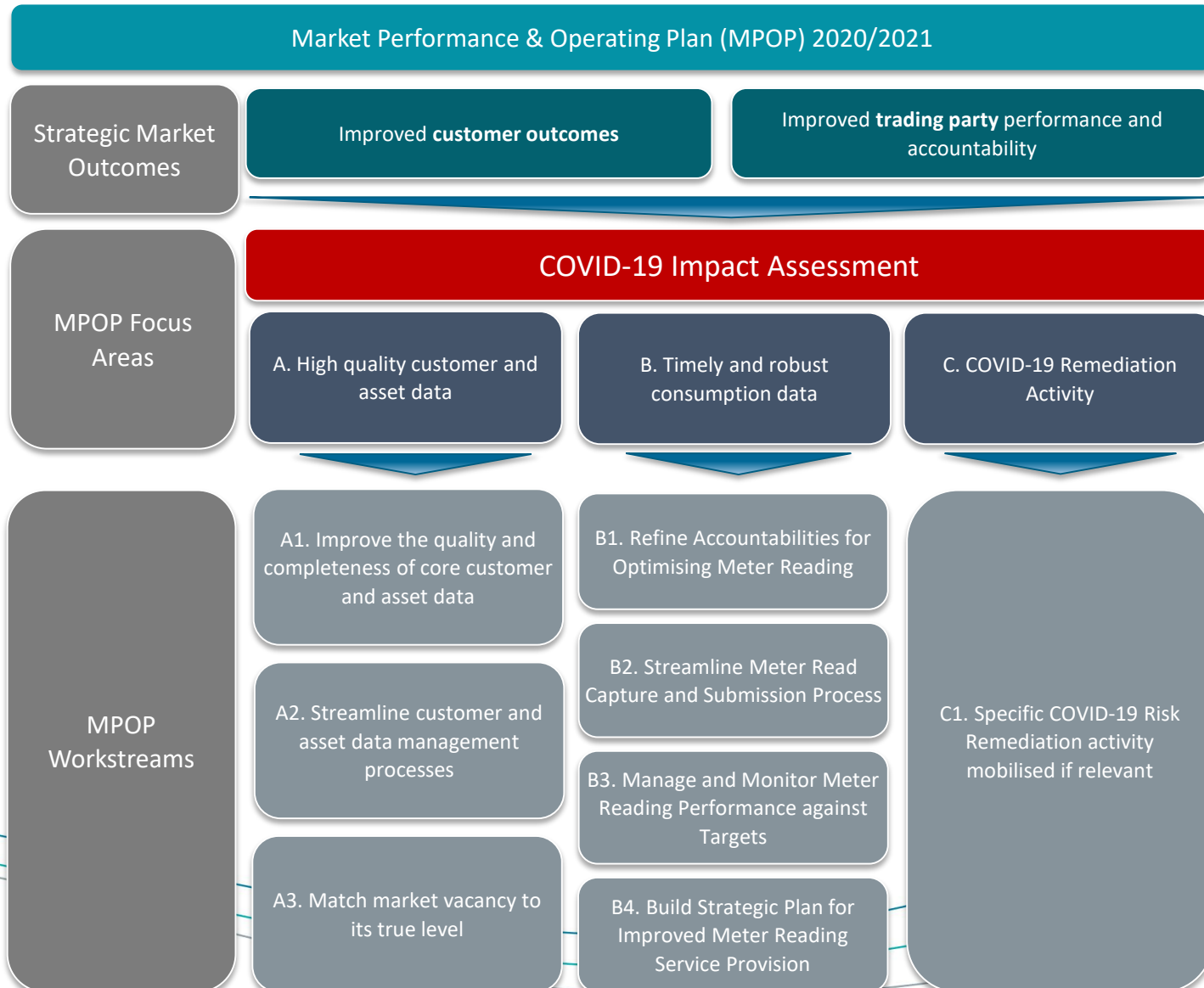
Next steps:

- 💧 Incorporate feedback from consultation
- 💧 Final publication date: **Tuesday 30 June**

MPOP 2020/21 Development

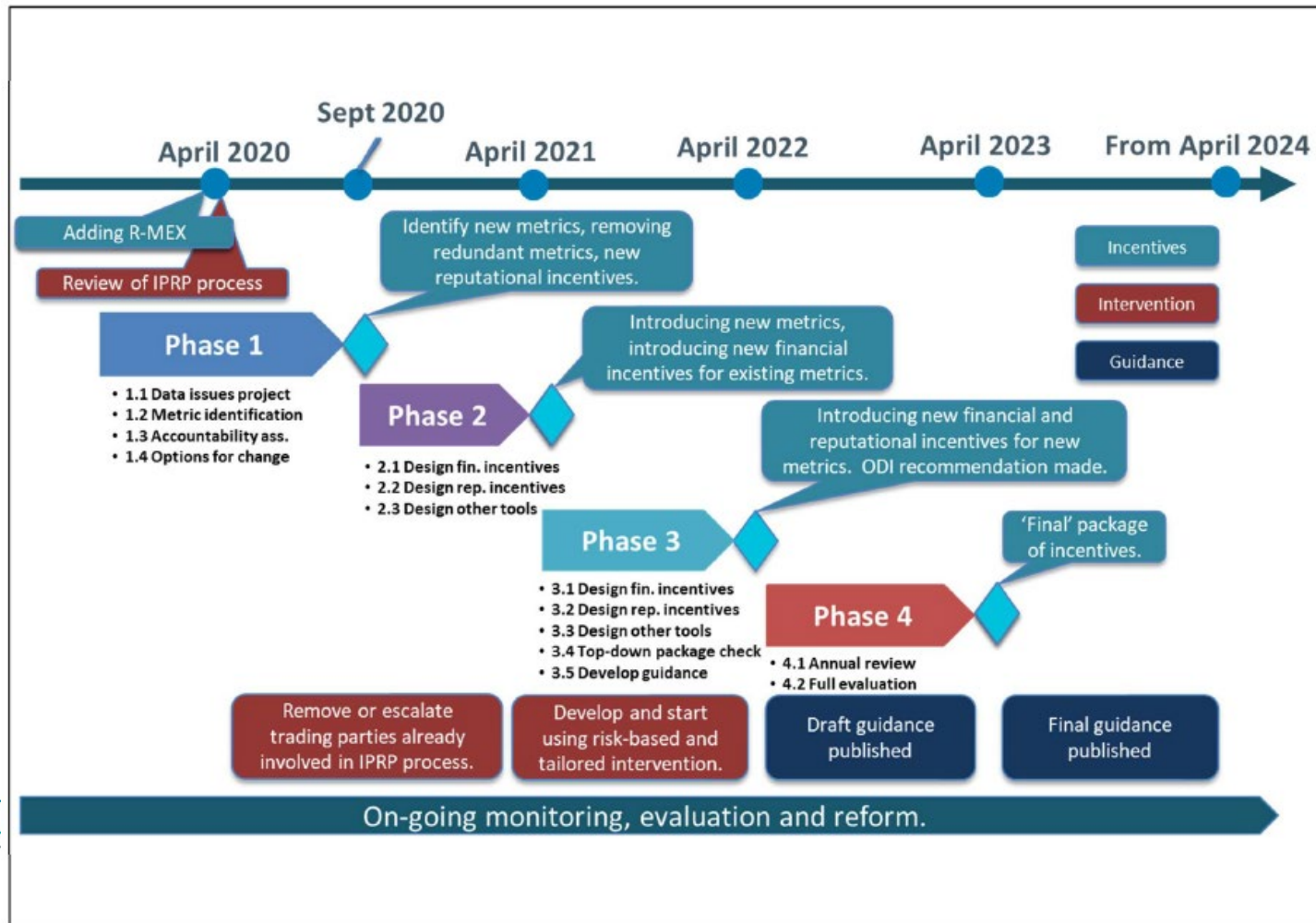


Key themes and workstreams



MPF Roadmap

Figure 1: Roadmap for the 'New' MPF



Questions

Strategic Metering Review

Lisa Connell, Market Improvement Lead

Introduction – Lisa Connell



**Market
Improvement Lead**

Contact: 07944 682049

Email:

Lisa.Connell@mosl.co.uk



Strategic Review of Metering – the journey so far....

MPC working groups

Tactical Change Phase

MPOP Evolution

Market Audit outputs

User Forums

Enhanced Vacant Premise intelligence

Improved trading party collaboration

Read rejection analysis



Enhanced incentive framework

New distribution model for performance charges

R-MeX

MPF Roadmap

Reduction in long unread meters

Strategic Review of Metering



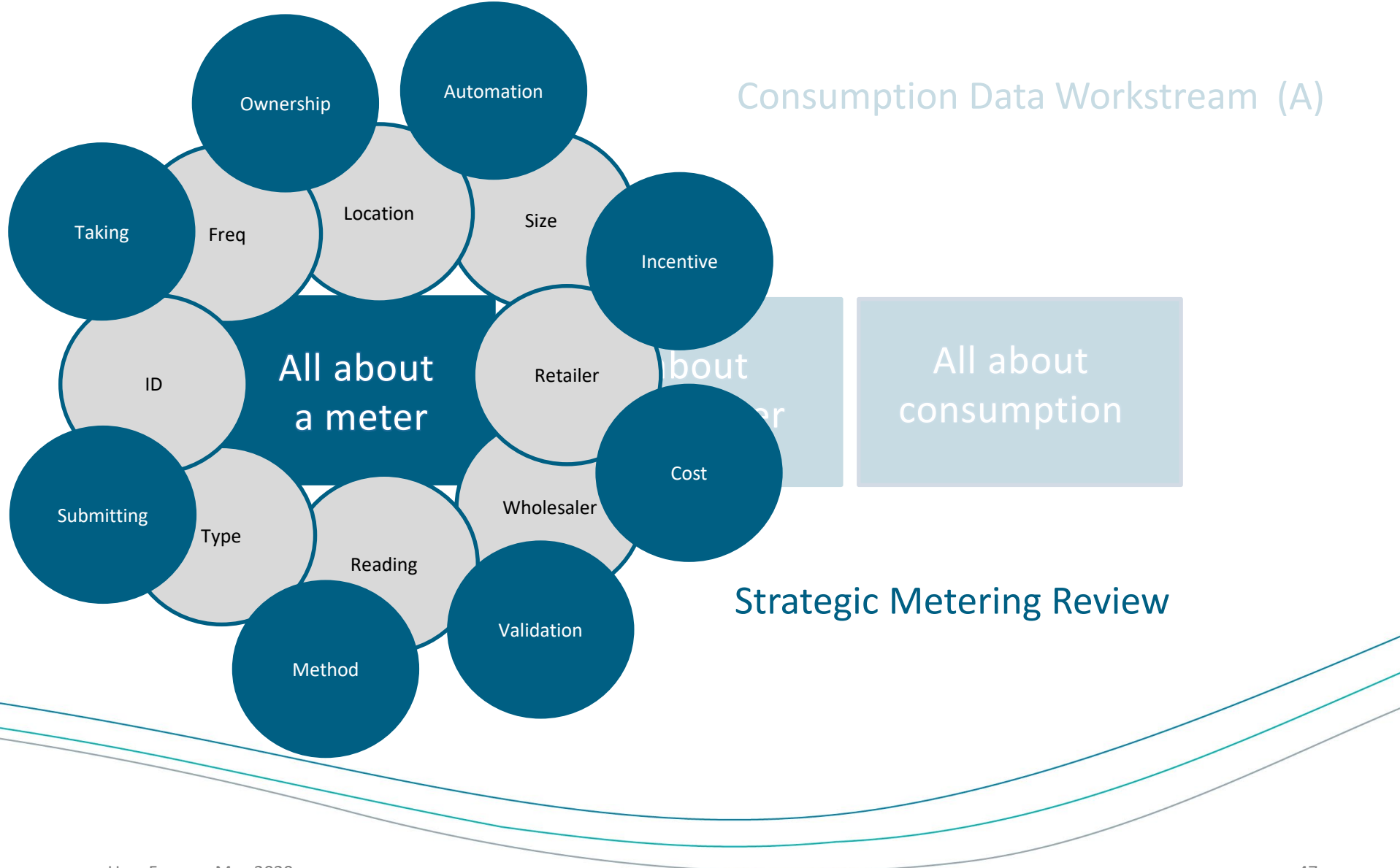
Today is the first day of a brand new journey

Strategic Review of Metering – why do we need it?



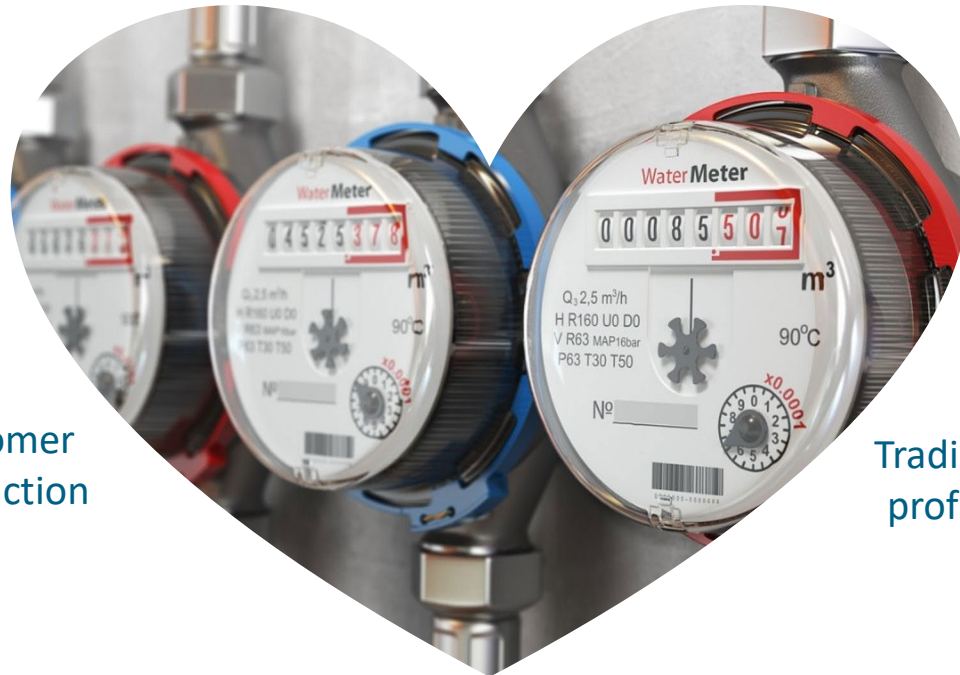
- ◆ It's a MOSL Business Plan & Panel Plan commitment
- ◆ To create a market that is 'easy to do business with'
- ◆ To reduce trading parties cost to serve and increase profitability
- ◆ To improve the customer experience reducing complaints, encourage switching activity and provide better value for money for customers
- ◆ To create an environment that enables, promotes and achieves water efficiency initiatives
- ◆ To improve Settlement accuracy.

Strategic Review of Metering – why do we need it?



Strategic Review of Metering – why do we need it?

Metering is at the heart of a successful water retail market



Consumption Management

Switching

Cost to serve

Customer satisfaction

Accurate Settlement

Customer bill accuracy

Water efficiency initiatives

Trading party profitability

It's **vital** to the success of the market that metering activities are simple, slick, timely and accurate.

Strategic Review of Metering – proposed areas of scope



Time for Some
blue sky
thinking...

Example review areas:

- Ownership Models

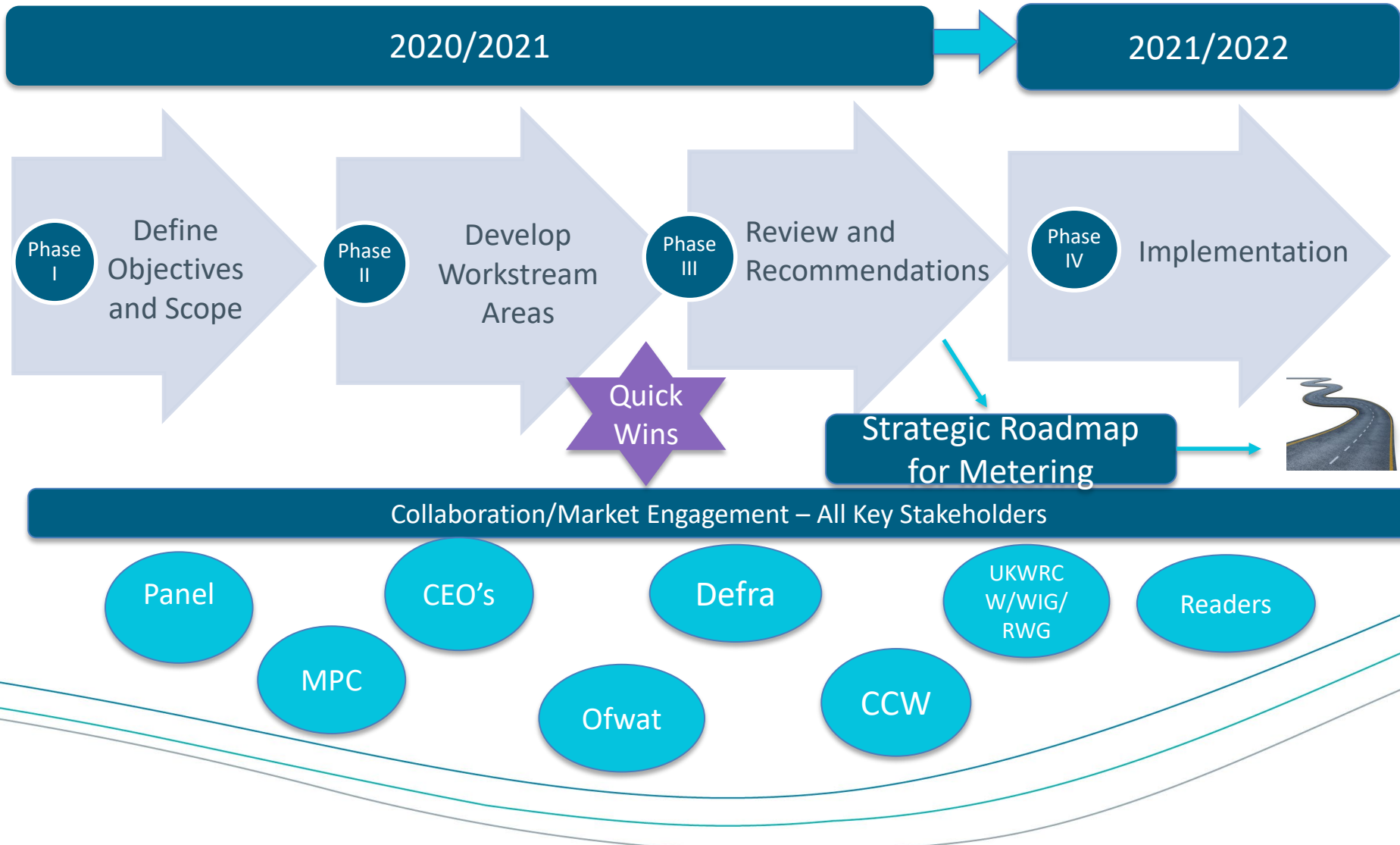
- Responsibilities

Accountabilities

- Incentives

- Technology.

Strategic Metering Review – approach /next steps



Strategic Metering Review – Approach /Next Steps

Panel Sub Group Members



Mark Holloway
Wholesaler Panel Member

Claire Yeates
Unassociated Retailer Panel
Member

Barry Hayward
Associated Retailer Panel
Member

Mike Rathbone
Wholesaler Panel
Member

The Panel Metering Sub Group will define the objectives and scope of the Strategic Metering Review
1st Meeting: Tuesday 2 June 2020

Strategic Metering Review – Approach /Next Steps

The Panel sub group will be supported by the MPC sub group who will shape and define the workstream areas for review.

MPC Sub Group Members

- ◆ Wendy Monk - Retailer Member
- ◆ Michael Rathbone - Wholesaler Member
- ◆ Gerard Lyden - Wholesaler Member
- ◆ Claire Yeates - Retailer Member.

Questions

CPW087 interim solution: Ability for wholesalers to add meter reads

Chris Dawson, Market Design Lead

CPW087 interim solution: Ability for wholesalers to add meter reads

Issue and background:

- ◆ CPW087 went to Panel on 26 May but won't be implemented until November at the earliest
- ◆ Designed to act as an interim solution to CPW087, to immediately mitigate the reduced number of reads entering the market due COVID-19 pandemic. Required all trading parties to pull resources together and prevent an extreme degradation of the long unread situation.

Solution:

- ◆ The purpose of the guidance document is to give instruction to wholesalers and retailers on their required processes. MOSL will also facilitate by supplying a secure method of data transfer and monitor the effectiveness of the solution.

CPW087 interim solution: Ability for wholesalers to add meter reads

The interim solution seeks to:

- ◆ increase the quality and quantity of meter data in the market
- ◆ Mitigate the impact on of customer billing by reducing the number of meters that can't be read
- ◆ utilise reads that wholesalers have already captured within their systems, especially those from difficult-to-access meters, AMR, Logger and smart meters
- ◆ Formalise a process for wholesalers to transfer meter reads to retailers
- ◆ Act as an interim solution to CPW087
- ◆ Encourage trading parties to opt onto this process.

CPW087 interim solution: Ability for wholesalers to add meter reads

- There are some wholesalers and retailers already doing this – wanted to add consistency and encourage more engagement
- Currently seeking further trading party input via RWG before publishing
- Aim to publish the guidance document along with the template this week.

Guidance document

- ◆ Sets out the process to follow for wholesalers, retailers and MOSL. It is:
 - ◆ Guidance only (not codified)
 - ◆ Templated
 - ◆ Expectations set
 - ◆ Simple.
- ◆ Can identify transactions as wholesalers will upload via SharePoint
- ◆ MOSL can compare uploads against submitted T105.Rs with 'Wholesaler Read' in text comment field.

Questions

Close

Thank you!