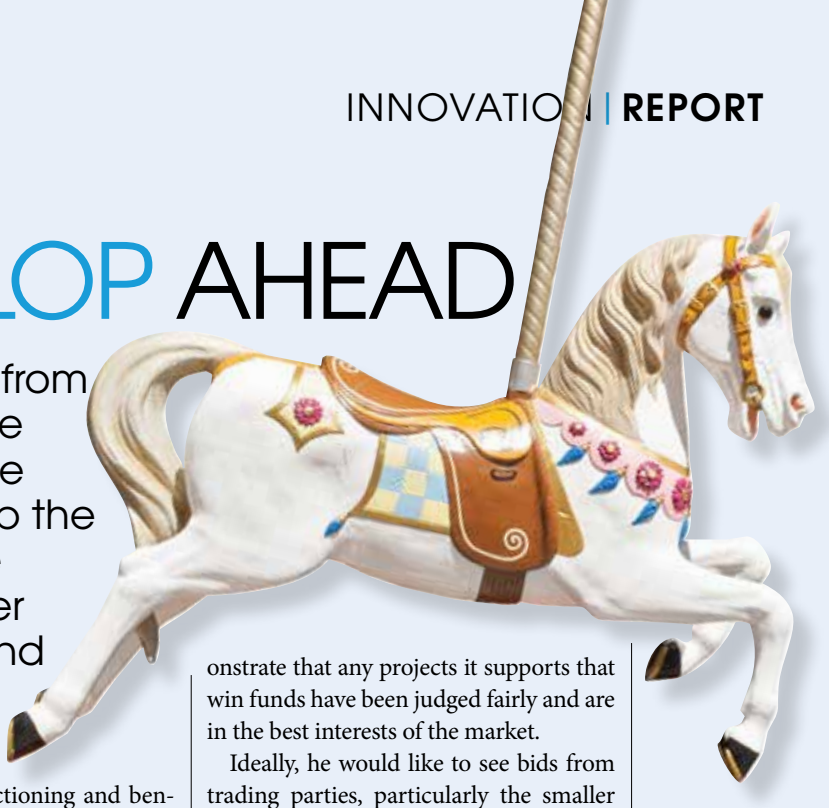
GALLOP AHEAD



A new fund from MOSL will see performance charges help the market race ahead rather than go round in circles.

MOSL is hoping September will bring lots of innovation and creativity to the water retail market. This month (until 30 September), it is welcoming bids into the first ever round of a newly created Market Improvement Fund (MIF) "to support projects that benefit the market and its customers". £1m is up for grabs, with allocations of between £10,000 and £150,000 on the table for successful bidders.

The fund was a part of a proposal implemented at the beginning of 2020, to invest a proportion of performance standards charges in market improvement projects, rather than redistributing them to trading parties. Finance director Steve Formoy explains the idea was to get away from the "money go round" of redistribution and rather to use some of that money to try new things that can make a change for the better.

The launch was postponed after Covid hit and it became clear retailers were under exceptional cash pressure. Now, he says, the time is right to pick up where they left off and the plan has had "a really positive reception".

Market performance charges raise around £4m a year, so the £1m pot is for starters. There could potentially be two rounds a year and with larger pots in future – MOSL has deliberately "kept it really flexible" Formoy explains and, via the Panel, will consider scaling up if there is a healthy appetite to bid.

Bidders and bidding

The MIF has drawn heavily on Ofwat's recently launched Innovation Fund. Formoy says Ofwat has been very helpful in sharing its learnings and therefore the MIF mirrors many of the terms and conditions found in the regulator's scheme. Not only has this saved money for the market, but the two funds are consistent and to an extent complementary, and applicants are welcome to apply to both.

Unlike Ofwat, MOSL has not prescribed themes that bids must address. Formoy explains the retail market is already much more focused in that it was set up to deliver better service offerings for non-household customers and MOSL did not want to close off any opportunities. However, it has specified that to qualify for funding, projects must:

- Enhance market functioning and benefit non-household customers.
- Not be considered business as usual.
- Not confer any competitive advantage to any trading party or group of trading parties.

Beyond that, it has named a number of areas which it believes might prove happy hunting grounds for bidders, including water efficiency, data improvement, meter reading, smart metering and CMOS interaction.

Formoy clarifies that while there is already work in train under each of these banners, the competition will be looking for new ideas, or ideas to accelerate progress, beyond work already set out in existing plans, such as MOSL's three-year business plan. It is also hopes the investment will spur greater innovation in the market.

Anyone – from individuals to large organisations – can apply but this must be in partnership with either a trading party or MOSL itself (trading parties can apply alone too). Formoy explains that the trading party partnership route has strength as it clearly demonstrates there is support in the market for the idea in question, but equally MOSL is very open to supporting bids that can make a substantial positive impact on the market, particularly if getting support elsewhere proves difficult. He adds that MOSL will remain 100% impartial as market operator and will demonstrate that any projects it supports that win funds have been judged fairly and are in the best interests of the market.

Ideally, he would like to see bids from trading parties, particularly the smaller companies that may be bursting with ideas but not have the time or money to drive them forward, and from people with "far-reaching connections to the market". Why? Because he says there is "a lot to be learnt from the industry more broadly, including from other markets that may have a couple of years' experience on the non-household market".

Evaluation and selection

Applications will be checked by MOSL for eligibility and then be assessed by an independent Selection Committee. This will comprise one wholesaler, one retailer and one customer representative, together with two independents. This is a departure from the Ofwat model where all representatives are independent. Formoy explains the inclusion of trading parties is designed to bring deep expertise to the committee on what will and won't work in the market; "a voice of market reality" he says. The customer representative is also essential given the objective of the MIF is to improve the market for customers.

Formoy says the Selection Committee posts attracted a good level of interest with applicants in each category, and that members will be announced this month.

Subject to ratification by the Panel, the winning bids will be announced in November 2021. Formoy urges readers to "get bidding and watch this space! TWR

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