

Summary of design and rationale for non-market meter Cyclic Read Key Performance Indicators (M19 & M21)

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1. What is this document?

This document is one of a series that sets out the design and rationale for the new KPIs under the proposed reformed MPF. This document specifically pertains to cyclic read KPIs, it is a high-level summary referencing discussion and input from the Performance Advisory Group (PAG). Its intention is to provide clarity for wider audiences on the proposals to be taken forward.

Additional detail on discussion is provided in minutes of PAG meetings available on [MOSL's website](#).

2. Engagement history and high-level summary

In 2022 MOSL began a 'root and branch' reform of the Market Performance Framework (MPF), working closely with water retailers, wholesalers, and other stakeholders (e.g. Ofwat, CCW). MOSL has taken a step-by-step approach to reforming the MPF, involving and engaging stakeholders at each stage of the process. MOSL has carried out four consultations to date, the latest having closed on 2nd August 2024 with feedback currently being reviewed. The consultation in September 2023 determined the shape of the MPF model with nine key activities, 21 metrics (Key Performance Indicators), eight financial and non-financial intervention tools and four levels of governance. Following this the programme has moved into the 'detailed design' phase. The focus of this phase is on ensuring the design of the KPIs, application of standards and financial tools and the rationale for the design is right.

Another cyclic non-market meter read KPI is being designed within Part C, Phase 2 which will be delivered later than the metrics discussed in this document and therefore will not be covered at this time:

- M20: Proportion of consumption from cyclic non-market meter reads performed within the biannual or monthly SLA

At meetings on 17 April and 17 July 2024, MOSL presented the PAG with design proposals for the following cyclic meter read KPIs:

- M19: Cyclic non-market meter reads performed within SLA (biannual or monthly)
- M21: Lateness of overdue cyclic non-market meter reads

The purpose of these non-market meter cyclic read KPIs is to incentivise the swift submission of meter readings, taken within the applicable service level agreement (SLA) in accordance with code obligations under CSD 0202 (see [Associated Code Obligations](#) below). These metrics will support the receipt of an accurate and timely bill for the customer with the relevant non-market consumption deducted from the non-household (NHH) customer's bill. Good performance against these KPIs also supports accurate settlement, timely billing and accurate data around water usage, and therefore fundamental to good customer service.

A summary of these KPIs, key features and rationale is provided in the sections below.

2.1 M19: Cyclic non-market meter reads performed within SLA (biannual or monthly)

Problem statement

Under the existing market performance framework, MPS13 (biannual non-market meter reading) and MPS14 (monthly non-market meter reading) are the cyclic non-market meter read KPIs. Current problems are the complex nature of their design, inconsistency across current market and non-market meter performance standards (market meters have a 5% failure allowance, but non-market meters have no failure allowance at all), and importantly they lack an incentive to rectify missed meter readings in a timely manner. Specifically, biannual meters are only assessed every 140 and 160 business days, so once the SLA is missed, there's no incentive to address the meter for another 140 and 160 days. To further add to the complexity, only the longer of the two periods, 160 has a financial incentive attached. There is no charge for failing to read at the 140 day mark.

Though non-market meters make up a substantially smaller portion of the market than market meters, they can still cause negative outcomes for retailers and customers if not read on time. This is due to the non-market meter consumption needing to be deducted from the market meter's consumption to be able to produce the customer's bill.

Solution to be taken forward

To address these problems, the reformed metric (M19) was originally discussed with PAG on the 17 April 2024, with further details being worked through at the meeting on the 17 July 2024. From these conversations, it was thought that M19 should largely mirror M01 as they attempt to measure a similar behaviour and so the success criteria options discussed with the PAG, and MOSLs final proposal and rationale, is as follows:

Monthly meters

One meter read every calendar month – it was noted that this option aligns completely with the meter read obligation for monthly read meters and prevents any overlap with reporting periods (as there would be with any business day option). It was noted by the PAG that there should be some leeway built into the KPI to account for ad hoc scenarios where scheduled meter reads may be skipped; a proportion of these scenarios will be taken into account when setting the minimum performance standard (see further details below).

Biannual meters

One meter read every seven months – it was noted that this option provides a month's leeway for a trading party to reattempt a meter read following unsuccessful scheduled reads, whilst also being closely aligned with the best outcome for the customer, promoting evenly spread meter readings across the year which will most accurately inform the consumption to be deducted from the NHH customer's bill.

There will be a 10 business day submission window available to allow any meter readings taken on the last day of the month to be submitted to CMOS before meters are assessed as part of M19.

Each meter will be checked monthly and if no read has been accepted within SLA, a financial penalty may apply each month until there is a meter read within SLA (depending on where trading party performance is in comparison to the minimum performance standard). This aims to ensure that once a read is missed, there is sufficient incentive to take a meter read and submit within a timely manner.

MOSL will report M19 performance as the % of passed versus all cyclic reads expected within the previous calendar month. To provide further insight into performance, M19 dashboards and outputs may be segmented by the following:

- a) Biannual / monthly meters
- b) Internal / external meters

As there is currently no occupancy/vacancy flag for non-market meters within CMOS, the data will not be able to be segmented in this way.

Other options explored

Monthly meters

- a) One meter read every 30 business days – it was noted that, due to the nature of the new KPI design, setting the monthly SLA at a set number of business days would cause overlap in reporting periods, ultimately meaning monthly meters could be consistently read every two months (equating to 6 reads per year instead of 12 reads per year), and pass the KPI. Although this behaviour is unlikely to occur, the new KPI should be designed to incentivise regular and frequent readings.

Biannual meters

- a) Two meter reads every twelve months – it was noted that this option, although satisfying the simplicity criteria by exactly aligning to the code obligations, would allow for meters to be read twice within the same month, and then no meter read would be required for the following 11 months. It was felt this option was sub-optimal and would not incentivise regular meter readings.
- b) One meter read every six months – it was noted that this option would be the best outcome for the customer, with meter reads being taken exactly six months apart. However, it was felt this option didn't provide any leeway for trading parties to reattempt to take a meter read following an unsuccessful scheduled meter reading due to ad hoc scenarios such as cars parked over meter chambers or access issues.
- c) One meter read every eight months & one meter read every nine months – it was noted that these options provide more leeway for a trading party to reattempt a meter read following unsuccessful scheduled reads, however, to promote quick resolution of skipped meter reads (i.e. within one month), it was felt these weren't the best option for the customer.

Section 6 below (PAG observations and rationale for decisions on non-market meter cyclic read KPIs) provides further detail on PAG discussions, feedback and rationale for the KPI's.

2.2 M21: Lateness of overdue cyclic non-market meter reads

Problem statement

In the current MPS13, there is a lack of an incentive to rectify missed meter reads in a timely manner due to the current metric design of meters only being assessed every 140 and 160 business days. Specifically, once a performance penalty has been issued for a missed meter read, the current MPS13 will wait another 140 and 160 business days before checking for a new meter read. Ultimately giving no incentive for reads to be reattempted quickly once missed. To further add to the complexity, only the longer of the two periods, 160 has a financial incentive attached. There is no charge for failing to read at the 140 day mark.

Solution to be taken forward

M21 was a proposed KPI that would measure how long it takes for a missing cyclic non-market meter read to be submitted. The metric design for M19 is seen as largely incentivising non-market meter reads submission in a timely manner, as charges are incurred for every month a missing cyclic non-market read is not submitted (for those below the minimum performance standard). Having listened to Trading Party feedback on M01: Cyclic meter reads performed within SLA (biannual or monthly) and M06: Lateness of overdue transfer meter reads, MOSL proposed that the design of M19 makes the previously proposed M21 (Lateness of overdue cyclic non-market meter reads) redundant and liable to create double jeopardy for trading parties who fail M19. For this reason, MOSL recommended to the PAG at the 17 July 2024 meeting to remove M21 from the current scope of work and consider later whether to rework this KPI into an Additional Metric. The same proposal had been made previously for M03, the equivalent lateness metric for market meters. PAG members supported this proposal.

Other options explored

M21 could be repurposed as a supporting metric (additional metric or market indicator) to provide some relevant insight into cyclic non-market meter read behaviour for the PAC to draw upon as and when needed. PAG members proposed a few variations for M21 such as:

- a) Average number of months meter reads are missed over a rolling 12-month period
- b) Proportion of consecutive M19 failures (i.e. consistently missed reads) vs sporadic failures – potentially leaning into the Long Unread Meter (LUM) category
- c) Attempted meter reads vs non-attempted reads

2.3 Incentivisation

The PAG discussed how to incentivise best outcomes for non-market cyclic reads and what financial tools would best apply to each KPI. The current financial tools proposed for M19 are set out below, but are subject to consultation 4 feedback, further work with stakeholders and input from our partner, PwC.

M19: Penalties are being proposed to apply for every failure (penalty value to be determined) below a minimum performance level. Acknowledging that certain scenarios may mean taking meter readings becomes more difficult, the minimum performance standard will be set at a realistic level below 100% to allow for a proportion of these scenarios. An outperformance payment will be applied to M19 which will reward trading parties who are performing above a certain level. Compensation payments may be applied to M19; feedback has been requested on this within consultation 4.

As M21 is being withdrawn and M20 is yet to be designed, MOSL has not considered incentivisation of these two KPIs.

3. Future work

PAG representatives have shared proposals, such as skipped meter reads, which MOSL believes would require changing code obligations.

Skipped meter reads

There was support from some PAG members for an additional performance indicator to keep note of the use of skipped meter reads and the skip codes that apply to them. MOSL note this would require a CMOS change as skip codes are not currently standardised across the market, and there is currently no data item within CMOS to capture skip codes. MOSL will pass this suggestion to the Metering Committee for discussion and consideration.

Additional data items for non-market meters

There were suggestions from some PAG members to create a new data item within CMOS to capture the occupancy status of non-market meters, as well as create visibility within the bilateral hub for non-market meters to allow the same allowances within M19 as for M01. MOSL will consider this for a future change, however, note this would require both a CMOS and bilateral hub change for what will be a small portion of meters.

MOSL welcomes these suggestions and ideas, whether they are about cyclic meter reads or any other metrics, which are recorded in a backlog. Where an idea is a fundamental change to the existing code obligations MOSL will be sharing these with the Strategic Panel and the Code Change Committee for their consideration and future prioritisation. We will adapt metrics in the future to any new obligations successfully implemented via the code change process. Within the MPF reform programme MOSL is focussed on supporting proposed metrics that are designed to suit existing code obligations.

There is also a large amount of feedback from Consultation 4 which MOSL is still reviewing. When that is done, MOSL will be better able to articulate how it intends to support proposals for changes to code obligations to be considered outside of the MPF reform program.

4. Associated code obligations

The wholesaler must take and submit cyclic reads for all non-market meters in the timescales defined in [CSD0202](#) section 3.5.2. The current SLA timescales will be reviewed and consideration made as to whether the meter read obligations which are set out in business days would be better worded to reflect “calendar months” as a look-back period which is how the proposed new KPI is designed.

5. More information

A reminder of the different metric types and how they will be applied within the reformed MPF are listed below:

Metric	Description and application
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Key Performance Indicators (KPIs)	Primary metrics used to measure a trading party's performance in completing a particular activity. KPIs will combine with intervention tools (which can be financial or nonfinancial) to incentivise trading parties' performances.
Market Indicators	Metrics that help assess whether overall performance is improving across the market and that the KPIs and tools being used are proving effective.
Additional Metrics	Data on these metrics is collected and monitored as appropriate. They do not correlate as closely with a trading party's performance as KPIs as there may be other drivers that affect them. However, they are useful to monitor as they may indicate areas of concern that need further investigation using discretionary tools, such as audits.

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6. PAG observations on proposals and MOSL's ultimate rationale for decisions on non-market meter cyclic read KPIs

Proposal	PAG feedback	PAG meeting	Rationale
M19 is measured in calendar months (i.e. not business days)	PAG members expressed that using calendar months provides more clarity both for themselves and for customers and reduces the risk of monthly meters only being read every two months due to business days causing an overlap in reporting periods.	PAG40	Calendar months provides the KPI with clear time parameters and prevents any overlap in reporting windows which, in particular the case for monthly meters, would open the KPI up to allow six meter reads per year rather than twelve.

<p>Withdraw M21: Lateness of overdue cyclic non-market meter reads</p>	<p>PAG members recognised that keeping M21 as initially designed would cause double jeopardy across M19 and M21 KPIs, and there were no objections to MOSL’s proposal to remove M21 as a KPI.</p> <p>PAG members provided suggestions on how M21 could be utilised to provide further insight into cyclic reads and reformed as an additional metric or market indicator.</p>	<p>PAG44</p>	<p>Current metric design would mean wholesalers would encounter double jeopardy if both M19 and M21 were included. The goals of M21 have been covered within the design of M19.</p>
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