Market Performance Framework

Performance Advisory Group – PAG02

29 June 2022

MOSL
MARKET OPERATOR SERVICES LTD

Agenda

1	**Welcome & Actions from previous meeting**	Chair	5 mins
2	Overview of PAG website	James Higgins	5 mins
3	ENDORSE – Risks and Issues Tracker	Steve Formoy Matt Labrum	40 mins
4	INTRODUCTION – Activities that support market outcomes	Ben Gough	30 mins
5	INTRODUCTION – Activities linked to risks and outcomes	Markus Lloyd	15 mins
6	Rationale behind a review of Natural & Regulatory Incentives	Ben Gough	15 mins
7	Any Other Business	Chair	5 mins

Actions from Previous Meeting

01/ 01	Terms of Reference - Core membership to be amended to reflect the role of CCW on the Performance Advisory Group.	MLL	29.06.22
01/02	Risks and Issues Tracker – Review to establish if any issues are specifically regional/trading party issues only and highlight on one-page summary	SF/ML	22.06.22
01/03	Risk and Issues Tracker – Ensure the difference between a mitigation and an intervention clear on the template	SF/ML	22.06.22
01/04	Ensure customers have an opportunity to engage in consultations as the MPF programme progresses (consultations currently anticipated to begin in late September)	AR	14.09.22

Chair

Agenda

1	Welcome & Actions from previous meeting	Chair	5 mins
2	**Overview of PAG website**	**James Higgins**	**5 mins**
3	ENDORSE – Risks and Issues Tracker	Steve Formoy Matt Labrum	40 mins
4	INTRODUCTION – Activities that support market outcomes	Ben Gough	30 mins
5	INTRODUCTION – Activities linked to risks and outcomes	Markus Lloyd	15 mins
6	Rationale behind a review of Natural & Regulatory Incentives	Ben Gough	15 mins
7	Any Other Business	Chair	5 mins

Overview of PAG website

Home -> Services -> Market Improvement -> Programmes and Projects -> MPF Reform -> Performance Advisory Group (PAG)

Performance Advisory Group (PAG)

The Performance Advisory Group (PAG) aids the Market Performance Framework (MPF) reform programme by informing and guiding on topics relating to the design and application of future performance interventions. The PAG is made up of subject matter experts (SMEs) on performance interventions in the market.

You can read the PAG's Terms of Reference by clicking on the link opposite.

New mailbox: mpfreform@mosl.co.uk

Membership

Following a call for nominations which led to a wide range of interest from across the market, 12 core members were appointed by the programme team in June 2022. The members cover a cross-section of the market and bring a broad experience of performance frameworks within their organisations and from previous experience outside the water market.

- Emily Jerrome - Water2Business
- Mike Rathbone - Severn Trent
- Sarah Scott - Veolia
- Trevor Nelson - Business Stream
- Claire Yeates - Waterscan
- Wendy Monk - Wave
- Andrew Smith - Castle Water
- Jon Fuller - Wessex Water
- Kate Russell - Yorkshire Water
- David Morris - Waterplus
- Richard Varley - South West Water
- Adam Boyns - CCW
- Chris Dawson - MOSL (Chair)
- Helen Fryer - MOSL (Secretariat)

MEETING	DATE	TIME	AGENDA	MINUTES	PAPERS	SLIDEPACK
Performance Advisory Group (PAG) meeting 1	15/06/2022	10:00 am - 12:00 pm	Download	Download	Download	Download
Performance Advisory Group (PAG) meeting 2	29/06/2022	10:00 am - 12:00 pm				
Performance Advisory Group (PAG) meeting 3	20/07/2022	10:00 am - 12:00 pm				

James Higgins
10:10

https://mosl.co.uk/services/market-improvement/programmes-and-projects/market-performance-framework-mpf/performance-advisory-group

Agenda

1	Welcome & Actions from previous meeting	Chair	5 mins
2	Overview of PAG website	James Higgins	5 mins
3	**ENDORSE – Risks and Issues Tracker**	**Steve Formoy** **Matt Labrum**	**40 mins**
4	INTRODUCTION – Activities that support market outcomes	Ben Gough	30 mins
5	INTRODUCTION – Activities linked to risks and outcomes	Markus Lloyd	15 mins
6	Rationale behind a review of Natural & Regulatory Incentives	Ben Gough	15 mins
7	Any Other Business	Chair	5 mins

ENDORSE – Risks and Issues Tracker
Purpose of PAG 02 review - Reminder

MOSL
MARKET OPERATOR SERVICES LTD

- **Seeking Endorsement of the current draft or risk and issues tracker, subject to any material changes being made based on PAG feedback**

- **Feedback requested via email in advance where possible – with focus on:**
  - Any major omissions identified
  - Any major issues with scoring to extend would materially shift level of prioritisation

Steve Formoy & Matt Labrum
10:50

ENDORSE – Risks and Issues Tracker
Review of comments received to date

Split comments into 4 categories:

- **Change** – propose change to scoring, root causes or risk/issue title based on feedback – with impact on ranking noted
- **Clarify** – comments noted and additional justification for current treatment provided but no change noted at this stage – recognising that tracker will continue to evolve and that lower scoring issues can still be tackled by MPF – tracker is an input only
- **Review** – to discuss with wider PAG before agreeing potential change
- **New risks/issues** – potential new risks and issues for tracker

Steve Formoy & Matt Labrum
10:50

ENDORSE – Risks and Issues Tracker

MOSL
MARKET OPERATOR SERVICES LTD

Issue/ Risk No	Issue Name	PAG comments to date	MOSL response	Category	Impact	Previous ranking	New ranking
CSE014	Poor quality CMOS customer data resulting in high risk customers not being informed of Wholesaler service issues (supply interruptions, water quality issues, bursts etc)	(TN) The volume rating of this issue feels too high. (EJ) Wording isn't specific enough, we feel the issue is specific to the flag in CMOS, that the high risk customers are not correctly identified in CMOS. (AB) Query on how used and whether risk lower	(TN) Agree - reduce customer volume score from 3 to 2 based on total populaton of circa 150k (EJ) Refine risk to specify relates to SEMDV (Sensitive) and SSA (Site Specific Arrangement) customers AB) Score reduced reflecting lower volumes	**Change**	**Score - customer volume score reduces from 3 to 2** **Issue name - clarify to refer to SEMDV and SSA**	4	14
CSE020	Wholesaler service to non-household customers is not incentivised or able to measured to same extent as household customers.	(TN) The scoring against the wholesaler impact should be higher. (WM) Agreed - already reflected in scoring (customer score is 9) (AB) Should be whole customer experience not just reported complaints	(TN) Agree - increase wholesaler impact from 1 to 2 based on potential affect on operational costs (AB) Agreed - this is what risk relates to	**Change**	**Score - wholesaler impact increased from 1 to 2**	5	4
WEC006	Low incentives to increase share of supply from non-potable water	(TN) I don't understand this issue. Is this about some NHH customers could use non-potable water instead of potable? (WM) Feels too high as an issue. My experience is that very few customers want this (other than those who already have non-potable supplies)	(TN and WM) Agree - propose change reduced to a 1 based on feedback received and low evidence to contrary	**Change**	**Change - customer volume from 2 to 1**	23	30

ENDORSE – Risks and Issues Tracker

MOSL
MARKET OPERATOR SERVICES LTD

Issue/ Risk No	Issue Name	PAG comments to date	MOSL response	Category	Impact	Previous ranking	New ranking
VC009	Retailer tariffs are complex and difficult for customers to compare easily	(TN) I would remove the word "retailer". This is because most retailer tariffs reflect wholesaler tariffs. I also think the scoring is too low on this issue. (WM) The root cause is that the Wholesaler tariffs are complex and difficult for Retailers/customer to compare easily and Retailers reflect these because the risk of not doing so is high.	(TN / WM) Agreed - propose risk changed to cover wholesaler tariffs - which then impact retailers and customer tariffs	**Change**	**Change - retailer impact increased from 2 to 3. Customer impact also increased to 3.**	23	5
WEC002	Retailers do not support customers' water efficiency decision making	(TN) I don't understand this issue (WM) The root cause is that there are no clear targets, no clear funding and no clear responsibilities.	(TN) This risk is explained via the root causes: 1) Retailers have no incentive to inform or drive customers to use less water, 2) lack of w/e tariffs, 3) lack of customer information to drive w/e 4) Retailers not providing sector benchmarking insight to customers 5) unmetered customers not engaged (WM) Agree we will add additional root causes	**Change**	**Change - update root causes to add in lack of clear targets, funding, responsibilities**	15	16

ENDORSE – Risks and Issues Tracker

MOSL
MARKET OPERATOR SERVICES LTD

Issue/ Risk No	Issue Name	PAG comments to date	MOSL response	Category	Impact	Previous ranking	New ranking
VC007	The Supply of Last Resort (SoLR) process may not work effectively when required	(EJ) A full review of this process has already been undertaken by MOSL – why is this still an issue? (WM) New root cause of the risk of the SOLR process not working is the lack of margin (risk VC004) combined with the inflexibility of the SOLR process. (AB) Best addressed outside of MPF	(EJ) This is a risk not an issue - the risk remains that shold a large retaker fail there may be challenges in reallocating customers (WM) Agree to additional root causes (AB) Agree not in scope of MPF	**Change**	**Change - update root causes to add in lack of margin and make link clearer**	23	24
WEC004	Wholesalers are not incentivised to promote water efficiency in NHH market and therefore do not facilitate customers' water efficiency decision making	(WM) The root cause is that there are no clear targets, no clear funding and no clear responsibilities.	(WM) Agree we will add additional root causes	**Change**	**Change - added additional root causes**	14	14

Steve Formoy & Matt Labrum
10:50

ENDORSE – Risks and Issues Tracker

Issue/ Risk No	Issue Name	PAG comments to date	MOSL response	Category	Impact	Previous ranking	New ranking
VC004	Retailer margins are too low to allow Retailers to offer differentials in the market to encourage switching and active retention	(TN) Wholesaler impact is too low. Switching can help to improve data and therefore accuracy of settlement. Isn't this more about customer engagement more than discounts. (EJ) Is the accountable party correct? Unsure if MOSL will be able to influence the resolution of this issue? (WM) This is directly linked to VC007 so applying a low Wholesaler impact doesn't properly reflect the impact. (AB) Query on customer impact	(TN) Settlement error risks are captured in other issues rather than this one (EJ) MOSL partly delivering projects that reduce cost to serve but this allocation can be refined in later stages (WM) Recognise there is linkage but issues kept separate for now. Both are outside scope of MPF (AB) Customer impact refects low switching scores and engagement due to reduced price/srvice offerings	**Clarify**	**N/A**	5	5
CSE010	Customer incorrectly identified as vacant	(TN) If feels like we need to step back and look again at the rationale for the volume. This implies that more than 70K vacant SPIDs are occupied. (EJ) The wholesaler should have a part to play in providing vacant with cons data. (WM) Retailer score seems low, wholesalers charge for volume during vacancy? Retailers pay settlement, but cannot recover from customers because no customer identified. Associated Retailers impacted more than entrants. (AB) Query on volume	(TN and AB) Unmetered vacancy rate (31%) vs Metered vacancy rate (11%) highlights the risk that unmetered vacancy rate is inflated and unmetered vacancy is not being addressed - risk of circa 44k. There are circa 30k metered vacants with consumption. But will continue to assess. No change proposed for now. (EJ) Accountability will continue to be assessed in later phases (WM) If consumption then retailer can change classification	**Clarify**	**N/A**	5	5

ENDORSE – Risks and Issues Tracker

Issue/ Risk No	Issue Name	PAG comments to date	MOSL response	Category	Impact	Previous ranking	New ranking
WEC001	Poor data in CMOS does not support useful segmentation analysis and comparison of water usage across the market for customers to make informed choices	(TN) I do not see that this granularity in segmentation/analysis is the role of the Market Operator.	(TN) We are not saying that this is the role of the Market Operator, TP's should be able to segment / Derive analysis from CMOS data by being able to rely on accurate customer data (i.e. SIC).	**Clarify**	**N/A**	15	16
CSE003	Incorrect bill due to retailer data/process issues in own billing system	(TN) This is a strange risk to call out in the log. For example I do not see a similar issue about the way in which wholesalers keep asset information in their own systems which is subject to a market audit this year.	(TN) Bill accuracy is key to customers and a driver of complaints/dissatisfaction hence included as risk/issue. Wholesaler tariffs are covered through separate risk CSE004. Risks around incorrect meter asset data already covered elsewhere - refer to issue CSE002	**Clarify**	**N/A**	23	24
CSE008	Meter reading taken or input incorrectly into CMOS (human error issues)	(TN) The volume here appears to be high (between 14k and 70k). There are numerous data validation rules and photographs which should spot errors like this. An incorrect meter read could impact settlement but in theory this will be corrected with any subsequent read.	(TN) Lack of strong data - but given volume of data rejections, customer complaints about bill accuracy, settlement reruns etc - consider that a score of 2 is reasonable.	**Clarify**	**N/A**	23	24

ENDORSE – Risks and Issues Tracker

Issue/ Risk No	Issue Name	PAG comments to date	MOSL response	Category	Impact	Previous ranking	New ranking
VC006	Customers are not aware of the competitive market, how it operates or different service levels, so they cannot engage with it and participate	(EJ) Unsure if MOSL will be able to influence the resolution of this issue? (AB) Is customer impact too high - unawareness itself does not mean dissatisfaction	(EJ) Accountabilities can be revisited in later phases (AB) Impact score driven by levels of complaints being higher than market pre opening and levels of customer dissatisfaction	**Clarify**	**N/A**	5	5
CSE009	Customer not properly identified during the new supply process	(EJ) I believe should be in the top 12. The new supply process touches a number of areas under the holistic reporting metrics for both retailer and wholesalers.	(EJ) Based on annual new connection volumes this meets the threshold of a 2 (as circa 28k per year versus threshold of 70k) but has an individual customer impact score of a 3. Can still be addressed by MPF with this score.	**Clarify**	**N/A**	29	28
CSE002	Meter reads not taken due to meter data issues in CMOS (location, serial number, type)	(WM) Feels too low in the priorities.	(WM) Customer impact was derived from the skip code analysis volumes reviewed. This was a lower driver than meter asset related drivers (which scored 3)	**Clarify**	**N/A**	13	13

Steve Formoy & Matt Labrum
10:50

ENDORSE – Risks and Issues Tracker

MOSL
MARKET OPERATOR SERVICES LTD

Issue/ Risk No	Issue Name	PAG comments to date	MOSL response	Category	Impact	Previous ranking	New ranking
CSE021	Retailer are not managing customer complaints (formal or informal) effectively or in a timely fashion	(TN) This is not a risk about dissatisfaction this is a risk that customers that complaints are not being treated correctly. (EJ) How will this be addressed and resolved by the MPF? (AB) If just complaint handling not in MPF scope	(TN and AB) The risk covers formal customer complaints but also how retailers deal with customer issues and dissatisfaction even if not leading to a formal complaint - scored customer volume a 3 given that 7% of customers are dissatisfied (EJ) Does not have to be addressed by MPF but could potentially be - to be assessed in later stage	**Review**	**Customer volume score proposed to retain as 3. Risk title can be refined**	10	10
CSE017	Confusion derived from customers having different Retailers for water and sewage for one SPID	(TN) Volume is 3 but individual customer impact is 1. It should be 3. (WM) This is a bigger problem than indicated. Sewerage retailers find it incredibly difficult to get issues resolved because they have to rely on the water retailer.	(TN) - Agree combined customer score should be a 3. Will revisit subject to below (WM)To review - assess if should increase score for customer (impact currently 1) and retailer (currently 1)	**Review**	**Assess if should increase score for customer (impact currently 1) and retailer (currently 1)**	31	31
CSE022	Retailers are not providing clear and accessible information on their relative customer satisfaction performance	(EJ and AB) We do not believe this should be an issue as it's the retailer's decision to provide this information, there is not an obligation on the retailer to do so? (WM) Feels too high in the priorities. Most retailers use Trust Pilot which is a good indicator of real experiences of satisfaction/dissatisfaction	(EJ, WM) High rating given higher levels of dissatisfaction (7%) and non engagement (8% engaged in market in total) and low switching levels - this has driven rating of 3 for customer volume and impact	**Review**	**To review customer volume score (3) and impact (3) driving high ranking**	10	10

ENDORSE – Risks and Issues Tracker

Issue/ Risk No	Issue Name	PAG comments to date	MOSL response	Category	Impact	Previous ranking	New ranking
WEC005	Unmetered customers are not incentivised to be water efficient	(EJ) Agree this is an issue, but it is unclear how this can be resolved without a huge investment to incentivise wholesalers (as there is in the household market). (WM) Retailer score seems low. No consumption data means unable to identify leaks, unable to offer any water savings – monetary or environmental. (AB) Question as to whether in scope of MPF	(EJ and AB) This relates to resolutions which will be covered in later phases (WM) Discussion point - is this considered a significant issue for retailers?	**Review**	**Review - should retailer score be higher than current 1?**	10	10
CSE004	Wholesaler data errors affects settlement calculation and therefore customer bills (e.g. wrong tariff or other data errors that affect charge calculation)	(WM) Feels too low in the priorities.	(WM) This was given a score of 2 as we were unable to fully determine the level of risk. To review.	**Review**	**Consider whether customer volume is 3 rather than 2 - is there sufficient evidence to support above 70k properties?**	15	16

Steve Formoy & Matt Labrum
10:50

ENDORSE – Risks and Issues Tracker
Potential new issues

Propose to **add** both risks below into tracker:

- **Customers on shared supplies** – small in number but issues are complex and extremely difficult to resolve. Impact on those customers and Retailers affected is large
- **Meter reads which are available but not put into the market** e.g. those taken for leakage purposes

Propose **not to add** risk below – as should be covered by other more specific issues:

- **Issues that have been problematic since before market opening** and are still not resolved e.g. LUMs, vacant premises etc.

Steve Formoy & Matt Labrum
10:50

ENDORSE – Risks and Issues Tracker
Purpose of PAG02 review

- **Seeking Endorsement of the current draft or risk and issues tracker, subject to any material changes being made based on PAG feedback**

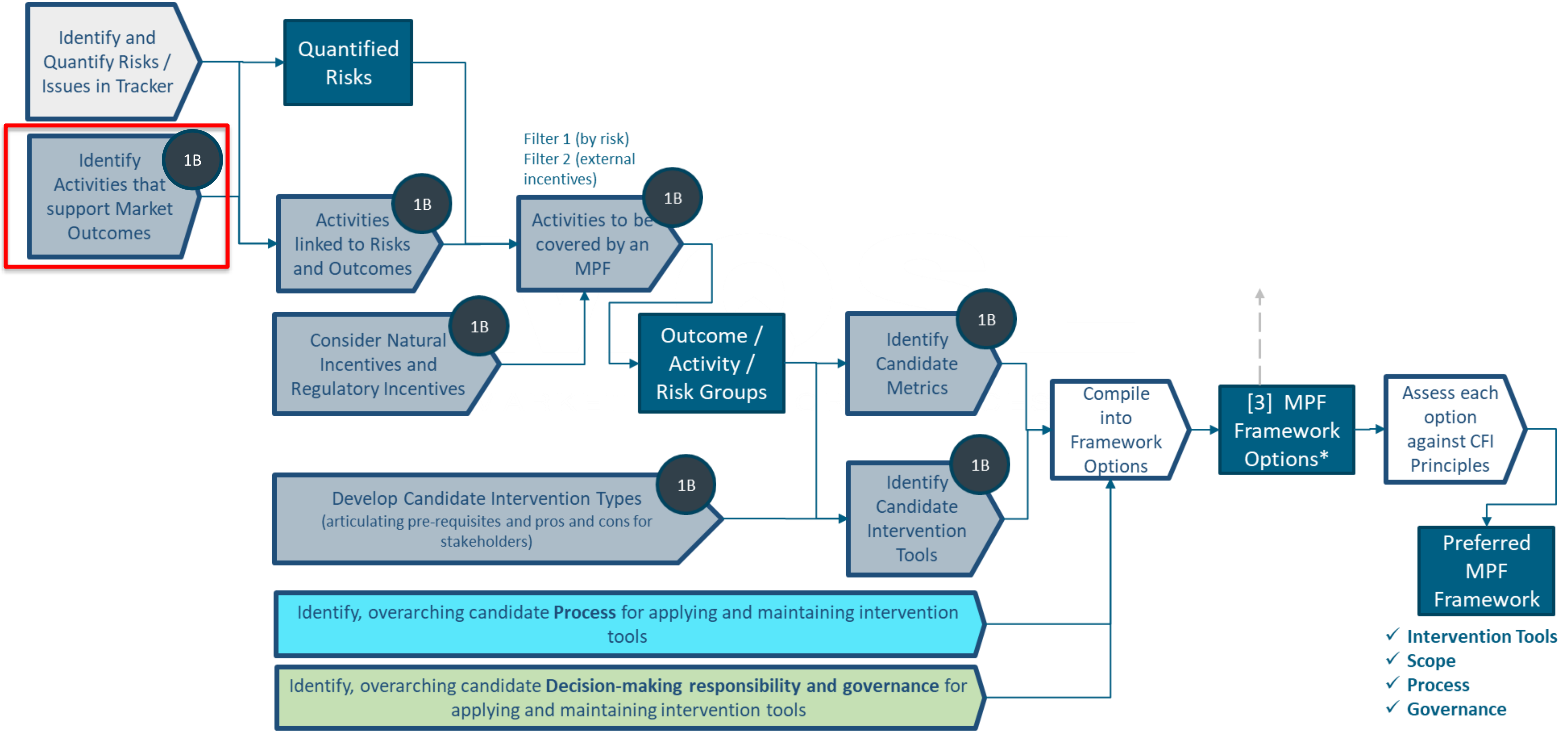
- Enables use of Tracker in later stages of MPF – recognising it is only one input and can continue to evolve

Steve Formoy & Matt Labrum
10:50

Agenda

1	Welcome & Actions from previous meeting	Chair	5 mins
2	Overview of PAG website	James Higgins	5 mins
3	ENDORSE – Risks and Issues Tracker	Steve Formoy Matt Labrum	40 mins
4	**INTRODUCTION – Activities that support market outcomes**	**Ben Gough**	**30 mins**
5	INTRODUCTION – Activities linked to risks and outcomes	Markus Lloyd	15 mins
6	Rationale behind a review of Natural & Regulatory Incentives	Ben Gough	15 mins
7	Any Other Business	Chair	5 mins

INTRODUCTION – Activities linked to risks and outcomes
Overview of MPF Reform Programme Workstream 1B – MPF Components



Ben Gough
11:20

Endorsement: 20 July

INTRODUCTION – Activities that support market outcomes

- To achieve desired Market Outcomes in NHH retail market, market participants need to undertake certain **Activities**
- If an **Activity** is not performed then this could lead to Market Outcome not being fully achieved
- Any incentive or intervention to improve Market Outcomes is therefore deployed at level of **Activity**
- **Activities define the scope of the MPF**

Ben Gough
11:20

Endorsement: 20 July

INTRODUCTION – Activities linked to risks and outcomes
Our approach to identifying Activities

Step	Description	Example
Market Outcomes	This is the explicitly stated strategic outcome that MOSL and its stakeholders wish to achieve via the MPF	Water Efficiency is Core
Outcomes	These are the more granular or "sub" outcomes associated with the overall Market Outcome	Improve water efficiency
Objectives	These are the objectives that will deliver the outcomes	Customers have access to timely & accurate usage information
Activities	These are the Activities that underpin the objective and therefore the overall Market Outcome	Retailers to make sure that CMOS is regularly updated with good quality customer & consumption data Wholesalers to make sure that CMOS is regularly updated with good quality asset and premises data

INTRODUCTION – Activities that support market outcomes
Principles for selecting the Activities

Activities **should:**

- Be clearly linked to an outcome
- Be sufficiently granular to identify the responsible party and what they need to do
- If performed successfully, they should mitigate at least one risk identified under the Risk Workstream

Activities **should not**:

- Be so granular or prescriptive that responsible parties have no discretion in how they are performed

At the next PAG we will ask you to **endorse** the Activities we have identified under our approach and principles

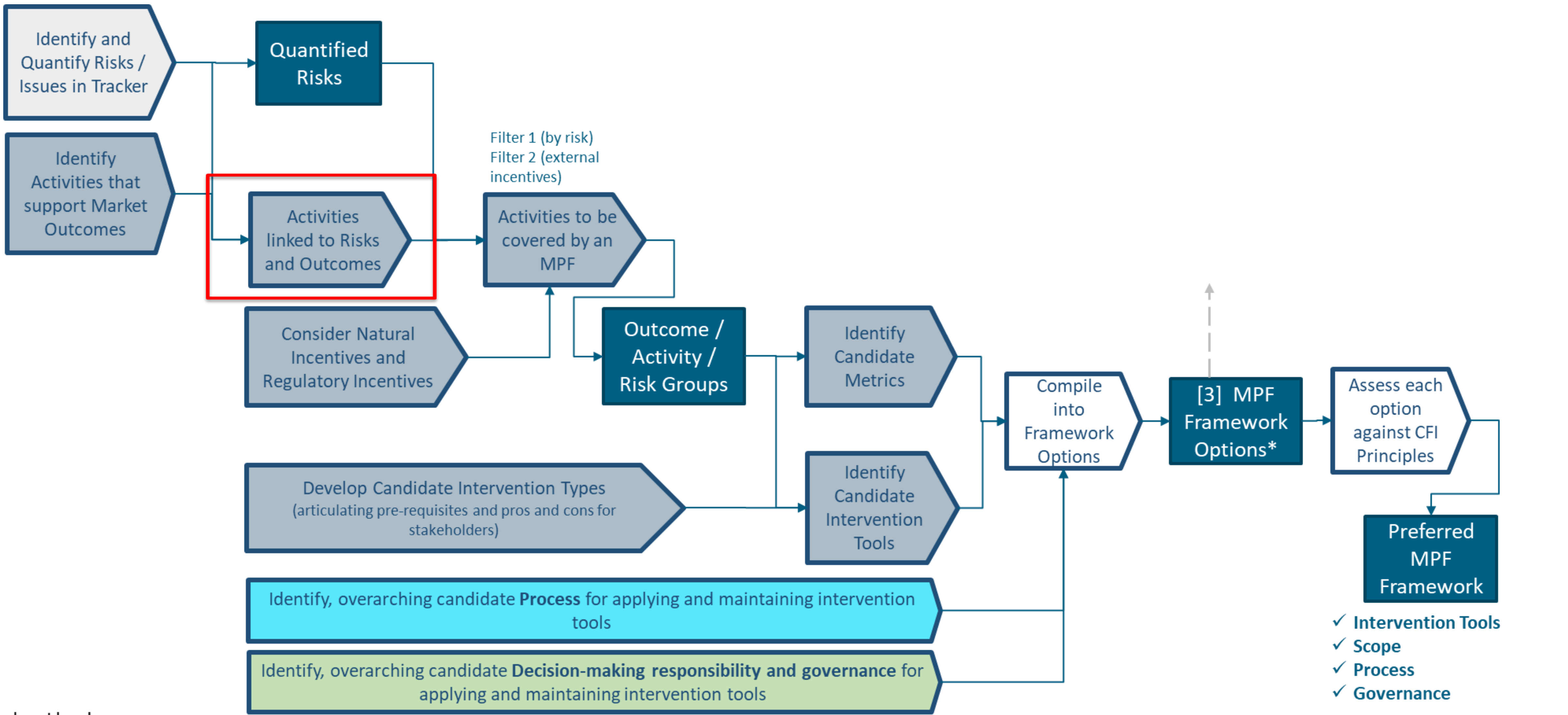
Endorsement: 20 July

Ben Gough
11:20

Agenda

1	Welcome & Actions from previous meeting	Chair	5 mins
2	Overview of PAG website	James Higgins	5 mins
3	ENDORSE – Risks and Issues Tracker	Steve Formoy Matt Labrum	40 mins
4	INTRODUCTION – Activities that support market outcomes	Ben Gough	30 mins
5	**INTRODUCTION – Activities linked to risks and outcomes**	**Markus Lloyd**	**15 mins**
6	Rationale behind a review of Natural & Regulatory Incentives	Ben Gough	15 mins
7	Any Other Business	Chair	5 mins

INTRODUCTION – Activities linked to risks and outcomes
Overview of MPF Reform Programme Workstream 1B – MPF Components



Markus Lloyd
11:35

Endorsement: 20 July

INTRODUCTION – Activities linked to risks and outcomes
Activities and Risk Alignment - Workbook

MOSL
MARKET OPERATOR SERVICES LTD

Panel Strategic Outcomes	Outcomes	Objectives	Activities	Aligned Issue/Risk	Customer Risk Score	Retailer Risk Score	Wholesaler Risk Score
Value Creation	Quality Services	Improved switching process efficiency & Improving data quality and transparency in the market	CV.1: Retailers to handover good quality customer data	CSE009 - Customer not properly identified during the new supply process	6	1	1
				CSE014 - Poor quality CMOS customer data resulting in high risk customers not being informed of Wholesaler service issues (supply interruptions, water quality issues, bursts etc)	9	2	3
				VC001 - Customers cannot benefit from the market because they are a gap site or mixed use site	6	2	2
				VC003 - There are inefficiencies in the transfer process preventing or delaying customers from moving Retailer	6	2	1
				VC008 - Lack of data on linked SPIDs (same customer) means multisite customers are unable to take full advantage of the competitive market	6	2	1
				WEC002 - Retailers do not facilitate customers' water efficiency decision making	6	1	3
				6	39	10	11

Activities are prioritised using the customer risk score (primary lens). Where activities have the same customer risk score the order is then determined using the combined TP score (secondary lens).

Markus Lloyd
11:35

Endorsement: 20 July

INTRODUCTION – Activities linked to risks and outcomes
Purpose of PAG03 Review

MOSL
MARKET OPERATOR SERVICES LTD

In PAG03 we are seeking Endorsement of the current activities and risk/issues alignment, subject to any material changes being made based on PAG feedback

- Feedback requested via email in advance where possible – with focus on:
  - Any major omissions identified
  - Any activities or alignment which are not considered valid
  - Does the methodology of assigning scores to the activities work
- Endorsement will enable it to be used in MPF Reform Programme

Panel Strategic Outcomes	Outcomes	Objectives	Activities	Aligned Issue/Risk	Customer Risk Score	Retailer Risk Score	Wholesaler Risk Score
Value Creation	Quality Services	Improved switching process efficiency & Improving data quality and transparency in the market	CV.1: Retailers to handover good quality customer data	CSE009 - Customer not properly identified during the new supply process	6	1	1
				CSE014 - Poor quality CMOS customer data resulting in high risk customers not being informed of Wholesaler service issues (supply interruptions, water quality issues, bursts etc)	9	2	3
				VC001 - Customers cannot benefit from the market because they are a gap site or mixed use site	6	2	2
				VC003 - There are inefficiencies in the transfer process preventing or delaying customers from moving Retailer	6	2	1
				VC008 - Lack of data on linked SPIDs (same customer) means multisite customers are unable to take full advantage of the competitive market	6	2	1
				WEC002 - Retailers do not facilitate customers' water efficiency decision making	6	1	3
				6	39	10	11

Markus Lloyd
11:35

Endorsement: 20 July

Agenda

MOSL
MARKET OPERATOR SERVICES LTD

1	Welcome & Actions from previous meeting	Chair	5 mins
2	Overview of PAG website	James Higgins	5 mins
3	ENDORSE – Risks and Issues Tracker	Steve Formoy Matt Labrum	40 mins
4	INTRODUCTION – Activities that support market outcomes	Ben Gough	30 mins
5	INTRODUCTION – Activities linked to risks and outcomes	Markus Lloyd	15 mins
6	**Rationale behind a review of Natural & Regulatory Incentives**	**Ben Gough**	**15 mins**
7	Any Other Business	Chair	5 mins

Rationale behind a review of Natural & Regulatory Incentives
Natural Incentives

MOSL
MARKET OPERATOR SERVICES LTD

- In free and competitive markets, companies face natural incentives to improve service and price offerings or lose customers and revenues to better performing companies
- **Natural incentives** are therefore when the market can deliver good outcomes for customers without need for direct intervention
- NHH retail market is competitive so retailers may already face **natural incentives** to perform identified Activities
- If an Activity is fully covered by **natural incentives**, then there is no need for intervention via MPF

*Our review will identify which, if any, Activities are covered by **natural incentives** so may not be suitable for inclusion in MFP*

Ben Gough
11:50

Introduction: 20 July / Endorsement: 03 August

Rationale behind a review of Natural & Regulatory Incentives
Regulatory Incentives

MOSL
MARKET OPERATOR SERVICES LTD

- Wholesalers are responsible for performing certain Activities in the NHH retail market that are key to achieving the Market Outcomes
- These Activities may also require interventions via MPF
- However wholesalers are also subject to **regulatory incentives** imposed by Ofwat under its Price Review framework
- If interventions under the MPF cover the same Activities as the Ofwat **regulatory incentives**, there is a risk of interactions
- Interactions can lead to weakened or even perverse incentives

*Our review will also identify which, if any, Activities are covered by Ofwat's **regulatory incentives** so may not be suitable for inclusion in MPF*

Ben Gough
11:50

Agenda

1	Welcome & Actions from previous meeting	Chair	5 mins
2	Overview of PAG website	James Higgins	5 mins
3	ENDORSE – Risks and Issues Tracker	Steve Formoy Matt Labrum	40 mins
4	INTRODUCTION – Activities that support market outcomes	Ben Gough	30 mins
5	INTRODUCTION – Activities linked to risks and outcomes	Markus Lloyd	15 mins
6	Rationale behind a review of Natural & Regulatory Incentives	Ben Gough	15 mins
7	**Any Other Business**	**Chair**	**5 mins**

Future Meetings

MOSL
MARKET OPERATOR SERVICES LTD

Meeting date	Introductions / Endorsements
PAG03 – 20 July	**Activities that support Market outcomes** **Activities linked to Risks & Outcomes**
PAG04 – 3 August	Natural Incentives and Regulatory Incentives
PAG05 – 17 August	**Natural Incentives and Regulatory Incentives**