

## Minutes of the Performance Advisory Group 03

20 July 2022 – 10:00 to 12:00

### MEMBERS PRESENT

|                |    |                  |                  |    |                 |
|----------------|----|------------------|------------------|----|-----------------|
| Chris Dawson   | CD | PAG Chair (MOSL) | Sarah Scott      | SS | Veolia          |
| Andrew Smith   | AS | Castle Water     | David Morris     | DM | Waterplus       |
| Emily Jerrome  | EJ | Water2Business   | Claire Yeates    | CY | Waterscan       |
| Kate Russell   | KR | Yorkshire Water  | Michael Rathbone | MR | Severn Trent    |
| Richard Varley | RV | Southwest Water  | Trevor Nelson    | TN | Business Stream |
| Wendy Monk     | WM | Wave             |                  |    |                 |

### OTHER ATTENDEES

|                 |     |             |                 |    |                  |
|-----------------|-----|-------------|-----------------|----|------------------|
| Georgina Mills  | GM  | Ofwat       | James Mackenzie | JM | CCW              |
| Scott Dagg      | SG  | Conservaqua | Janet Judge     | JJ | MOSL (Presenter) |
| Adam Richardson | AR  | MOSL        | John Gilbert    | JG | MOSL             |
| Steve Formoy    | SF  | MOSL        | Matt Labrum     | ML | MOSL (Presenter) |
| Evan Joanette   | EJo | MOSL        | Helen Fryer     | HF | MOSL (Minutes)   |

### APOLOGIES

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| Adam Boynes | AB | CCW |
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### ACTIONS FROM MEETING(S)

| NO | Action required | Action by | Action Date |
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03/01 'Improved wholesaler performance on NHH **facing** services.' to be changed to 'Improved wholesaler performance on NHH **non-household** services'

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| 03/02 | Provide TN with further details on MOSL response to: Risk on customers and/or properties are incorrectly included in the NHH market is missing from Risk/Issues register and matrix | ML | 03/08/22 |
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03/03 CV.8 - update to incorporate CSE013

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| 03/04 | Risk on customers cannot engage with water efficiency measure as their consumption is not measured or they do not have access to real-time consumption data is missing from Risk/Issues register and matrix – Amend to state 'Issue' (not risk) as stated on Risk and Issue Tracker | JJ | 03/08/22 |
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01/04

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| 1   | <b>Welcome and Actions from previous meeting</b>   |
| 1.1 | The Chair welcomed attendees to the meeting and introductions took place.  |
| 1.2 | <p>Actions:</p> <p>02/01 - Ensure customers have an opportunity to engage in consultations as the MPF programme progresses (consultations currently anticipated to begin in late September) - <b>CLOSED</b></p> <p>02/02 - Members are to confirm endorsement of Risk and Issues Tracker Members are to confirm endorsement of Risk and Issues Tracker - <b>CLOSED</b></p> <p>02/03 – A version Control Log needs to be implemented for the Risk and Issues Tracker - <b>CLOSED</b></p> <p>02/04 – Look to set in place a communication method for PAG members i.e., SharePoint, shared files, Teams - <b>CLOSED</b></p> |

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|          | 01/04 - Ensure customers have an opportunity to engage in consultations as the MPF programme progresses (consultations currently anticipated to begin in late September) - <b>ONGOING</b>   |
| <b>2</b> | <b>ENDORSE – Activities that support market outcomes</b>  |
| 2.1      | JJ presented the activities that support market outcomes reiterating to members the objectives and the MPF components for Workstream 1B.  |
| 2.2      | <p>Review of feedback – JJ advised members that no ‘showstoppers’ were submitted and outlined the process MOSL applied to capture the feedback provided.</p> <p>The following points were raised and <b>NOTED</b>:</p> <p><b>Wholesalers better reflect the needs and requirements of their NHH customers in the provision of NHH services</b></p> <ul style="list-style-type: none"> <li>• TN questioned the terminology used in MOSL’s response ‘<i>Improved wholesaler performance on NHH <b>fac</b>ing services.</i>’ Following explanation and discussion, wording to be changed to ‘<i>Improved wholesaler performance on NHH <b>non-household</b> services</i>’ (Action Point: 03/01)</li> </ul> <p><b>CV.5, UWE.5, CV.12, GS.1 &amp; CV.17</b></p> <ul style="list-style-type: none"> <li>• TN questioned MOSL’s response stating that if these are up for consideration then under water efficiency; business water metering, smart metering, and metering replacement need to be included. MOSL is introducing additional requirements which are not part of the market. If MOSL are prepared to do that for one thing then they should be prepared to do this for other areas, the obvious being water metering and smart metering being included as an activity and a behaviour. This should be on all parties not just retailers. CY supported TN’s approach and said she is happy for these activities to remain, but to be filtered out, if</li> </ul> |

members are inputting into the process, keeping in mind this is a competitive market and success with MPF means the market works effectively and efficiently and is a sustainable competitive market. We run the risk of trading in areas that we should not be operating in. The Chair recapped on JJ's explanation of how it would be inappropriate to remove these at this stage of the process

- TN questioned the process. This has been completed in isolation from market participants; what is the role of members if when issues are flagged, we allow this to continue to the next stage of the process; we are not involved in the creation or the detail which makes a difference when aggregating scores together; the focus and reputational issues make a significant difference; concerns with the process – how things are created, how things are decided, we cannot add value without being involved in the process. The Chair reiterated the approach that was being taken. It was important for MOSL to initially record all activities from the onset. The next step being members involvement in devising the mechanism for prioritising the activities and the natural and regulatory incentives which will then filter down the activities and highlight the most important
- TN emphasised his earlier point with regards to including water efficiency - business water metering, smart metering, and metering replacement
- TN said that we should simplify now, while we can, it creates white noise that should not be there
- CY stated some activities seemed unusual and it would have been helpful to have included where the source of the information came from i.e., PwC report, Ofwat suggested it, collaboration of all 3 saying it was a good idea? CY added that both she and TN have been heavy involved in the granular detail from the on start, so this feels slightly uncomfortable.

Whilst understanding the process and happy to go through it, sympathise and support some of the points TN has raised, maybe need to look a bit wider

AR joined the meeting.

- TN gave a summary of his suggestions/questions to date and requested clarity. AR responded that potentially, there may be a need to tweak and simplify some of activity descriptions presented for example, UWE.5 is about the market making sure that data is available to facilitate efficiency offerings and there are not any specific rules in the code around facilitating efficiency offerings. One of the reasons why this activity has been included is due to the exercise being a top- down review starting with the market outcomes that we want to see. Smart metering is one of the things that we might need to do as a market to provide the data in an efficient way to support UWE.5 as an example. It is an interesting point, whether we really want to focus down on activities on this list but only cover things that are only currently set out as requirements in the code or whether we capture a list of activities that we think are needed, within PAG to get us to the outcomes we want to see. The work MOSL have undertaken is to bring PAG the wider view
- TN said that we are extending the market in some ways but distorting it in others. If this is the approach, then PAG should consider additional activities to be included, first point would be full business metering. AR responded. One thing to bear in mind is the difference between the design of the market, the rules, how prescribed, and the requirements and activities that take place within the market as well as the interventions we may need from a performance perspective. Whatever the elements might be, these are changes to the design of the market (or enhancements) that might make it easier to deliver some of these activities, if that is what we want to see then maybe there is a performance intervention that

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|     | <p>relates to tracking the implementation of metering which may be different to activities, that is a question that we need to think about, rather than the activities prescribing that metering is the answer</p> <ul style="list-style-type: none"> <li>• TN concluded that we need to ensure that this methodology works, then once we have agreed the methodology, agree what should be in it</li> </ul> <p>The Chair asked PAG members for their views. The following responses were <b>NOTED</b>:</p> <ul style="list-style-type: none"> <li>• MR – Similar view to TN and CY</li> <li>• AS – Agree with comments from TN and CY. If trading parties or PAG members had been involved, we would be clearer on what we are trying to achieve. Seems to be aspects that have not been considered and earlier input from trading parties would have sharpened the definitions and now be considering the right things. Unclear about methodology</li> <li>• WM – Found it difficult to understand and systematically work through it (trying to match everything up) and ran out of time so unable to send comments by the deadline</li> </ul> |
| 2.3 | <p>AR suggested, that having listened to the comments that have been captured, PAG members may like to take this opportunity to outline any activities they would like to see covered and included, to ensure that MOSL had not missed something and highlighted the importance of ensuring all activities are covered by this work, which effectively defines the market and defines ‘our universe’ for potential MPF interventions.</p> <p>The following point was raised and <b>NOTED</b>:</p> <ul style="list-style-type: none"> <li>• AS – Omissions were included in feedback response submitted; these have yet to be addressed at this meeting. AR replied that feedback received relates to some of the metrics that we may want to capture and relate to wholesaler/retailer interactions and different</li> </ul>  |

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|          | <p>elements particularly around bilateral requests which will be covered under the candidate metrics, that will inform how we measure success or identify risk areas linked to activities. AS said that it was not clear if bilateral data had been included in the methodology and how this was likely to improve the customer experience in the market. No market charts have been circulated around this. AS provided an example to show where metrics could be designed around these. AR advised that the data used to determine the size and severity of risks has included bilateral data</p>  |
| 2.4      | <p>The Chair said that having listened to PAG members concerns and comments raised, and with the proviso that MOSL can commit to the additional requirements; additional activities highlighted being added and provide members with the methodology, he would be looking for endorsement of the activities that support market outcomes at the end of this meeting</p> <p>JG summarised - an endorsement would allow work to continue, it does not stop us going back to look at any activities that have been missed. It is important that we continue at pace, the consultation phase we have planned will give ample time for a second review of activities once we have a bit more detail in place. Understanding the natural and regulatory incentives coupled with this piece of work, will allow PAG members to review with better clarity</p> |
| <b>3</b> | <b>ENDORSE – Activities linked to risks and outcomes</b>   |
| 3.1      | <p>JJ reiterated to members the objectives set and outlined the process MOSL applied to capture the feedback provided</p>  |
| 3.2      | <p>ML presented the activities linked to risks and outcomes feedback under the categories: <b>Change, Clarify and New</b></p>  |

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|     | <p>The following points were raised and <b>NOTED</b>:</p> <ul style="list-style-type: none"> <li>• Change - Risk on customers and/or properties are incorrectly included in the NHH market is missing from Risk/Issues register and matrix – TN questioned MOSL’s response stating that the main issue had not been addressed and provided further examples for consideration. Following explanation and discussion, ML advised that more detail requested by TN will be provided outside of the meeting (<i>Action Point: 03/02</i>)</li> </ul>  |
| 3.3 | <p>JJ presented the activities links to risks and outcomes feedback under the category: <b>Remove and Review</b></p> <p>The following points were raised and <b>NOTED</b>:</p> <ul style="list-style-type: none"> <li>• Review CV.8 - TN questioned MOSL’s response and clarified that his comment centered around the activity description stating ‘resolution’- JJ agreed to rectify and incorporate CSE013 (<i>Action No: 03/03</i>)</li> <li>• Review – Risk on customers cannot engage with water efficiency measure as their consumption is not measured or they do not have access to real-time consumption data is missing from Risk/Issues register and matrix – EJ requested that this be amended to state ‘Issue’ (not risk) as stated on Risk and Issue Tracker (<i>Action No: 04/03</i>)</li> <li>• Review UWE.1 - 98 – Whilst not raised as part of the feedback, JE asked if a risk should be highlighted with regards to the frequency of meter reading. JJ advised that there was an activity around this although at this point of time, it states sufficient level and is not yet defined</li> </ul> |



- Review GS.7 & GS.8 - KR asked for further clarity around MOSL's response. JJ explained that it was circular, if you can perform the activity successfully then effectively it means that the risks assigned must have been mitigated to perform the activity successfully
- Review – Now that it is live, has data from Bilaterals hub been factored into inform/identify risks? AS said that he was confused as to the extent this has been used. The service request data is there and the volume of information available now would provide insights that are more fundamental and may alter some of the prioritisation that has been discussed today. Concerned that nothing has been done with the data to date and before we move ahead this should be explored. JG confirmed that all the bilateral hub data from day one is stored and available. Currently, MOSL are looking at producing a bilaterals dashboard, that trading parties can use at no cost to improve performance. MOSL can take the data to any forum and look at root causes. AS replied that this would be helpful and speed up the process in comparing analysis. However, question is more on what we have available now, we have not really included that in terms of determining fundamental issues and that needs to be looked at to make sure that we have prioritisation right. SF added that there is several issues and risks that are rated highly now, we could use data from bilaterals to inform the risks and issues but suspect that it would not necessarily influence scoring or identify additional new issues or risks, just provide more granular data on some of the root causes
- Review - Risk on customers cannot engage with water efficiency measure as their consumption is not measured or they do not have access to real-time consumption data is missing from Risk/Issues register and matrix. TN said that circulating back to his suggestion, his observation is that being able to do something and being incentivised to do something are two different things, point being is allowing them to measure the water consumption

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|     | <p>and having access. Would still like to see engagement with water efficiency by having a meter or access to real time consumption data as a risk</p>  |
| 3.4 | <p>TN stated the PAG members have provided feedback, not showstoppers, but very useful information and some great points have been raised. The exercise PAG members have completed is different from the ask, but there has been a lot of benefit in doing so, to help to shape and move this on. Without that, we are not getting to the nub of issues. We would benefit from taking one step back and understand how this matrix would benefit the MPF review and how it will be used going forward.</p> <p>CY – Support TN. A lot of people struggled reviewing this, everyone has interrupted the language slightly differently. Quite hard in the meeting trying to follow on screen and relate.</p> <p>KR – Echo CY and TN – challenging to review and filter, should have been split up to review into sections</p> <p>AR said he agreed with comments and appreciates the challenge faced by PAG members. AR referred to Slide 7 – Overview of MPF Reform Programme Workstream 1B MPF components and presented both a visual and verbal explanation to PAG members of the process being undertaken and how each step links to the MPF reform with Slide 16 being used as an example</p> |
| 3.5 | <p>The Chair asked PAG members to ENDORSE both the Activities that support market outcomes and Activities linked to risks and outcomes</p> <p>PAG members <b>DECLINED</b> to endorse either the Activities that support market outcomes or Activities linked to risks and outcomes at this current time. The consensus being further conversation required to discuss in more detail</p>  |

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| 4   | <b>Any other business</b>  |
| 4.1 | The agenda's for PAG 04, PAG 05 and PAG 06 were presented. Members were asked to note that these may be subject to change since the Activities that support market outcomes and Activities linked to risks and outcomes have not been endorsed |
| 4.2 | The Chair advised that MOSL will discuss internally a revised timeframe and the potential of scheduling a workshop and advise PAG members accordingly  |
| 4.3 | The Chair thanked everyone for their attendance and closed the meeting at 12:05  |