Market Performance Framework

Performance Advisory Group – PAG04

3 August 2022

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Agenda

1	**Welcome**	**Chair**	**5 Mins**
2	Actions from previous meeting	Chair	5 Mins
3	MPF - Re-Cap on Methodology and Progress	John Gilbert	20 Mins
4	ENDORSE – Activities that support market outcomes	Janet Judge	15 Mins
5	INTRODUCTION: Approach to assessing Natural & Regulatory Incentives	Ben Gough	60 Mins
6	DISCUSSION – PAG Workshop	Chair	5 Mins
7	Any other business	Chair	5 Mins

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Actions from Previous Meeting

NO	Action required	Action by	Action Date
03/01	‘Improved wholesaler performance on NHH facing services.’ to be changed to ‘Improved wholesaler performance on NHH non-household services’ - Closed	JJ	03/08/22
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 - Closed	ML	03/08/22
03/03	CV.8 - update to incorporate CSE013 - Closed	JJ	03/08/22
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 - Closed	JJ	03/08/22
01/04	Ensure customers have an opportunity to engage in consultations as the MPF Programme progresses (consultations currently anticipated to begin in late September) - Noted/Ongoing	AR	14/09/22

Chair
10:10

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Re-Cap on Methodology and Progress (1 of 4)

As a reminder for PAG Members

- ***The PAG will support the solution design by reviewing programme requirements, solutions and change proposals which have been developed and designed by the programme team***
- The programme team's aim is therefore to carry out the detailed research and design allowing the PAG to operate at a strategic level when reviewing material

The Success Criteria we have agreed

The overarching aim is to improve upon the current Market Performance Framework whilst ensuring it is aligned to the Strategic Panel's Outcomes – Creating Value, Great Customer Service and Water Efficiency
Principle
Facilitate **improved customer outcomes**
Improve trading party **accountability**, including clear accountability for issues
Support competition in the NHH market
Ensure **consistency and compatibility** with the wider regulatory regime
Provide an **enduring, agile, and responsive** framework
Ensure the framework is **transparent and proportionate**
Deliver **value** for money for stakeholders
Seek **simplicity** over complexity

John Gilbert
10:30

Re-Cap on Methodology and Progress (2 of 4)

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What question are we answering at each stage and how do these build on each other?

Risks and Issues

- What are the current and (potential) future problems that stop market delivering desired outcomes?

Activities

- What is the 'universe' of all the tasks and behaviours that take place in the market to make it work?

Natural and reg incentives

- What incentives already exist to get those activities right? MPF may not need to intervene if there are adequate regulatory or natural incentives

Interventions

- Which interventions/ tools will then help improve those metrics – e.g., financial, reputational etc. – in a way that fits together coherently?

Metrics

- Where we do need to intervene, how can we measure who is doing what, so we can fairly track delivery and target areas to improve?

Why we need to do each stage ……..

Risks and issues help us **prioritise the activities that need the most attention**

Mapping our activity universe **makes sure we don't miss anything important**

Identifying Natural and reg incentives can help us agree **prioritised activities in scope of the MPF**

Intervention tools help **drive the right behaviours- if part of coherent framework**

Setting metrics helps **ensure accountability and track progress for those activities**

Re-Cap on Methodology and Progress (3 of 4) – represented as process flow

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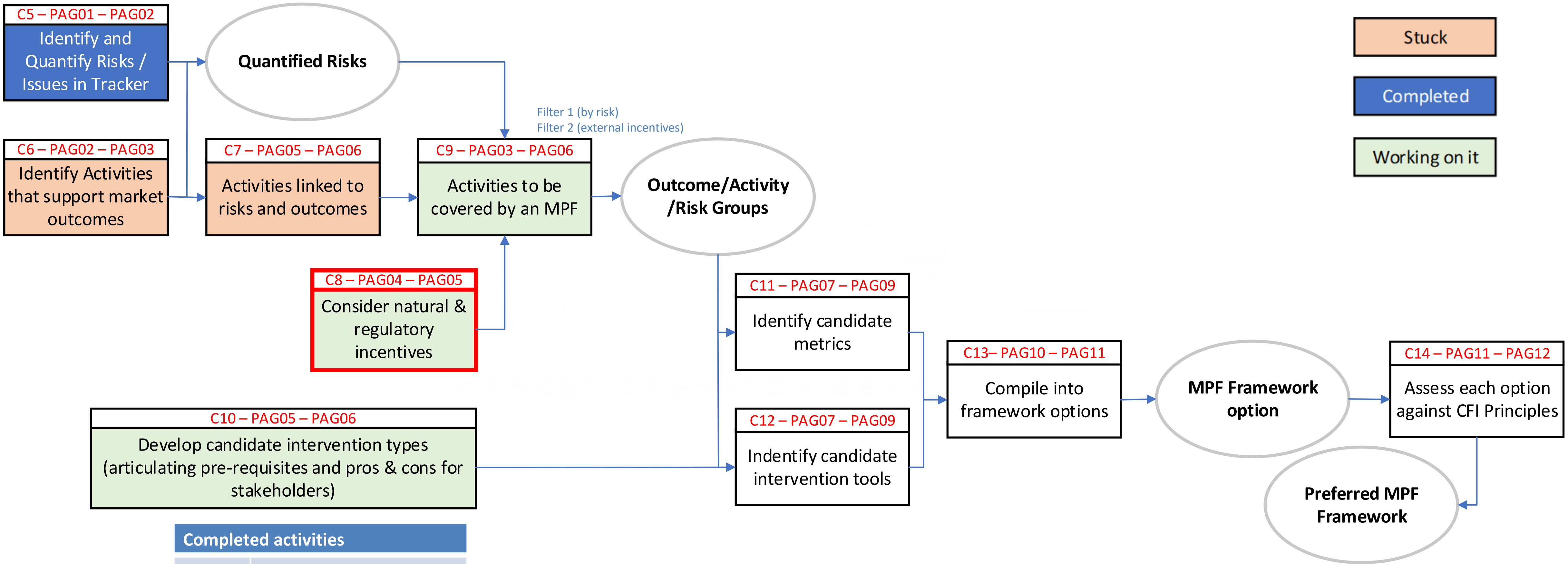

Completed activities	
C1	Terms of Reference
C2	Glossary
C3	Intro into Risks & Issues
C4	Success Criteria

John Gilbert
10:30

Re-Cap on Methodology and Progress (4 of 4)

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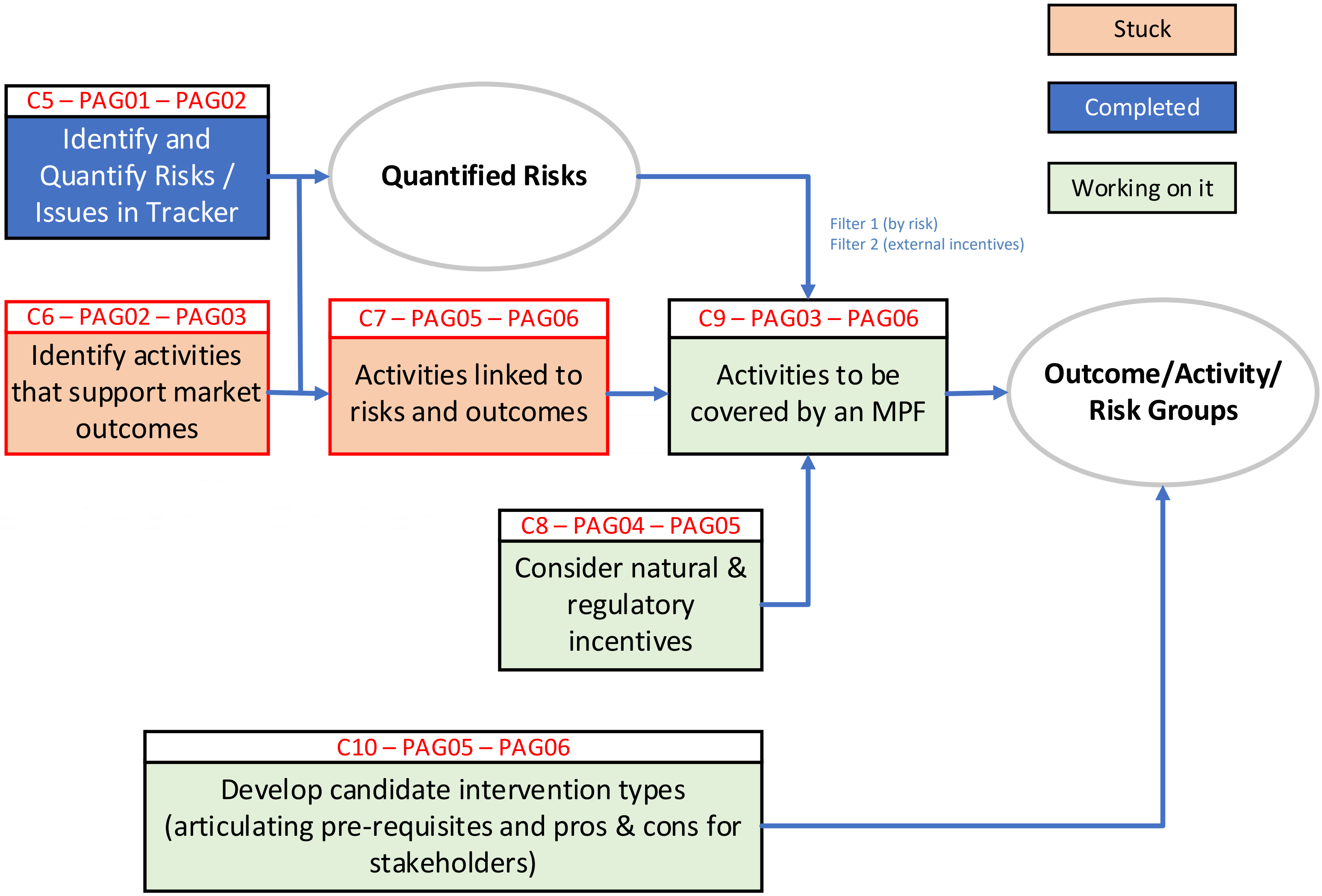
PAG03 did not endorse C6 & C7

On reflection we believe we over complicated this ‘ask’ in the time available by looking at both Activities and links to Risks and Issues

We would like to separate this decision into two (Activities and then Mapping to Risks & Issues). We will therefore, request endorsement of Activities only at this stage

Once agreed MOSL will update the mapping exercise to Risks and Issues for changes and share the results to the PAG for review



John Gilbert
10:30

Re-Cap on Methodology and Progress (4 of 4)

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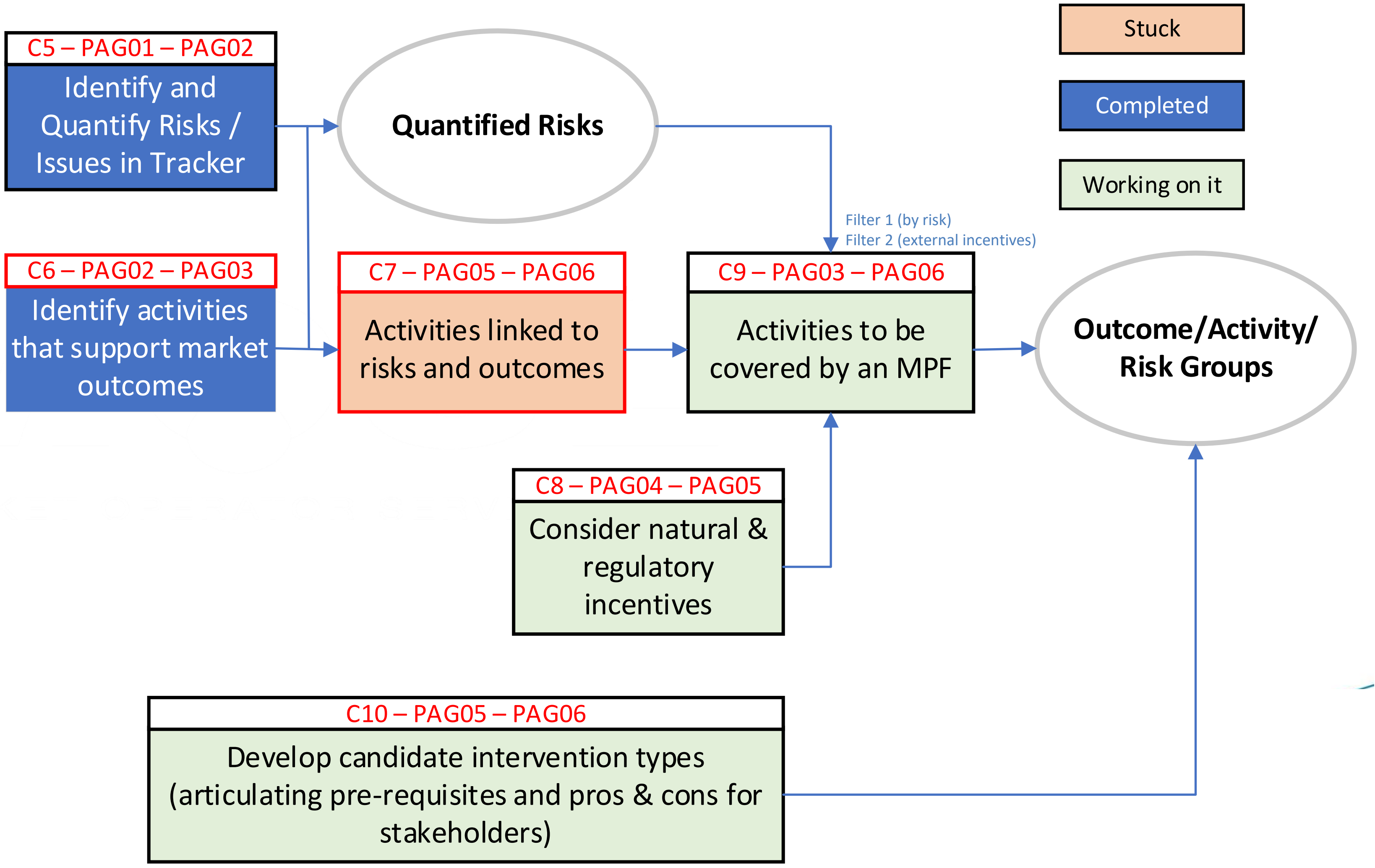

John Gilbert
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ENDORSE: Activities that support market outcomes (1 of 6)

Feedback was requested via email in advance by close of business on **Friday 29 July** – with focus on:

- Any **major** omissions identified in activities; as modified for feedback from PAG03

In PAG 04 (3 August) we are seeking **Endorsement** of the activities, subject to any material changes being made based on PAG feedback

Purpose:

- At this stage, our aim is to identify the list of activities (to drive successful outcomes in the market including those within and outside of a MPF, 'universe') that could **potentially** be in an MPF. It does not mean all Activities will be part of the MPF.
- Key risk at this point is missing activities e.g., if we failed to include meter reading the MPF would not cater for this. If missed it will be harder to add new activities (rework, time and expense). We will still be able to modify activities e.g., split an activity in two if appropriate.
- Endorsement will enable it to be used in MPF Reform Programme

Janet Judge
10:45

ENDORSE: Activities that support market outcomes
Omissions – Proposed new activities (2 of 6)

MOSL response
Add new activity **UWE.7** - Wholesalers ensure availability of appropriate meter assets (including smarter meters where relevant) sufficient to meet the needs of customers or to drive the right customer and water efficiency behaviours (TN)
Add new activity **CV.21** - Market participants work collaboratively to address shared supplies/mixed use premises and resolve associated issues (WM)
Add new activity **CV.22** - Accurate and timely invoicing (and clarity and consistency on why, how and when these apply) and payment of non-primary charges (CY)
Add new activity **CV.23** - In the absence of a meter read retailers should make sure an accurate estimation of consumption is made

Janet Judge
10:45

ENDORSE: Activities that support market outcomes
Proposed change to activities (3 of 6)

MOSL response
Change GS.9 to '**Wholesalers efficiently maintain working/functioning assets, including meters which must be working accurately and be readable'** (WM, CY) (Originally "Wholesalers maintain good quality healthy assets")
Change CV.16 to 'Market participants work collaboratively to ensure vacancy classification is accurate **and resolve associated issues'** (WM)
Change CV.18 to 'Provision of timely, **accurate** and appropriate **(i.e. meeting wider customer & water efficiency needs)** tariffs into the central systems' (WM)
Change CV.3 (and UWE.3) to 'Wholesaler to make sure that CMOS is regularly updated with good quality **accurate** asset and premises data **including assessing eligibilty for the market and timely deregistration of premises not eligible where appropriate**' (TN)
Change CV.17 to 'Accurate and timely invoicing **(with clear, consistent and pro-active approach to Unplanned Settlement refund practices)** and payment of primary charges' (CY)
Change GS.5 to 'Wholesalers better reflect the needs and requirements of their NHH customers in the provision of NHH services, **including trade effluent and planned/unplanned events**' (CY, TN)
Changed UWE.6 to 'Retailers provide **high quality** bills that are based on evidence and supported by consistent and clear terms and conditions to customers **and refund customers on a timely basis**' (CY)

Janet Judge
10:45

ENDORSE: Activities that support market outcomes
Clarification of activities (4 of 6)

MOSL response
● Issue CSE017 (Confusion derived from customers having different Retailers for water and sewage for one SPID) covered by ● GS.1 (Retailers provide clear information to customers on what their rights and obligations are (e.g. payment protection plans, right to formally dispute the money owed under contract, obligations re trade effluent consents)) (WM)
● More frequent meter readings (for water efficiency) covered by ● CV.6 (Retailers to provide sufficient level of actual meter reads to ensure accurate consumption data (giving accurate settlement and customer billing)) ● and is supported by new activity on wholesalers UWE.7 (Wholesalers ensure appropriate meter assets (including smarter meters where relevant) sufficient to meet the needs of customers or to drive the right customer and water efficiency behaviours) (CY)

Janet Judge
10:45

ENDORSE: Activities that support market outcomes
Other comments (themes) (5 of 6)

"Activities presented seem to only focus on where the MPF could deliver an improved outcome. What activities have been removed from the exercise?"

- Have incorporated activities that trading parties or MOSL perform as part of day-to-day functioning of the market. SoLR and retailer margins are not included as not part of day to day running but more structural issues

"Have included three activities not appropriate for a competitive market and two others that should be included only to the extent the Customer Protection Code of Practice requires"

- At this stage, our aim is to identify the long list of activities (to drive successful outcomes in the market, 'universe') that could **potentially** be in an MPF. It does not mean all Activities will be part of the MPF
- Key risk at this point is missing activities

Janet Judge
10:45

ENDORSE: Activities that support market outcomes (6 of 6)

We are seeking **Endorsement** of the activities that drive successful outcomes in the market - including those that may or may not form part of a future MPF

The focus is on ensuring the completeness of activities – recognising that further changes can be made in later stages – such as splitting activities into two or further refining the description

Janet Judge
10:45

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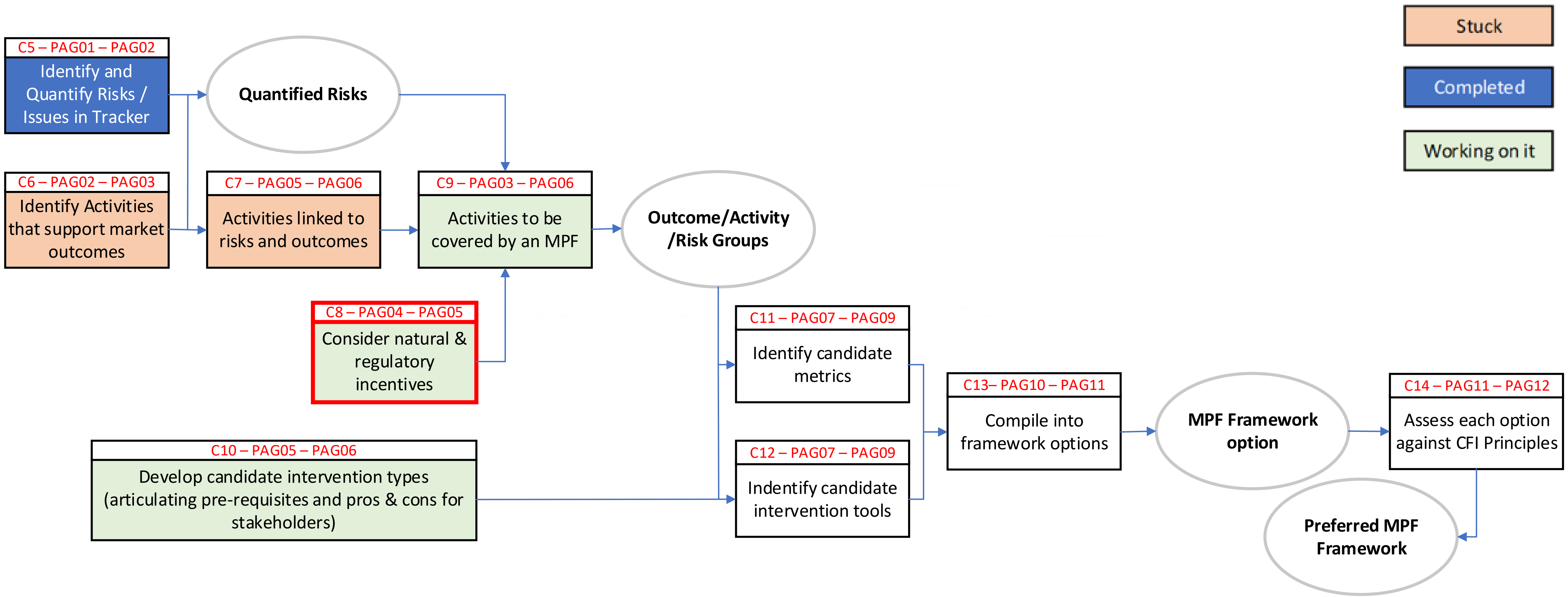
INTRODUCTION: Approach to assessing Natural & Regulatory Incentives – Overview of MPF Reform Programme Workstream 1B – MPF Components (1 of 13)



Ben Gough
11:45

INTRODUCTION: Approach to assessing Natural & Regulatory Incentives (2 of 13)

MOSL has conducted a process, beginning with its Market Outcomes, to identify the Activities that are required for a well-functioning market and therefore may need to be subject to incentives under MPF 2

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

Ben Gough
11:45

INTRODUCTION: Approach to assessing Natural & Regulatory Incentives (3 of 13)

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The set of Activities identified by MOSL are being considered for inclusion in MPF 2, however there is a possibility that some of these Activities are already covered by other incentives:

- As the NHH retail market is open to competition, there may already be natural incentives in place which encourage market participants to improve their performance via competitive pressures
- The NHH retail market also interacts with the regulatory regime implemented by Ofwat, the economic regulator for the regional monopoly water companies in England and Wales. These regional monopolies provide wholesale services in the NHH retail market, so there are potentially regulatory incentives already in place from the Ofwat regime that influence their behaviour

INTRODUCTION: Approach to assessing Natural & Regulatory Incentives (4 of 13)

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If an incentive is introduced for an Activity under MPF 2 which is already covered by the incentives above, there is a risk of negative interactions, double jeopardy or perverse outcomes:

- Negative interactions: This occurs when two (or more) incentives interact and negate one or more of their effects.
- Double jeopardy: This occurs when a company faces multiple incentives for the same Activity.
- Perverse outcomes: This occurs when one incentive has a detrimental impact on an area that is tangential to another incentive, resulting in a company deciding to actively underperform on one of the incentivised Activities so it can maximise its performance in the other.

Our approach therefore identifies relevant natural and regulatory (Ofwat PR19 and proposed PR24) incentives and assesses which, if any, Activities are covered by these and whether and how they should be included in MPF 2

Ben Gough
11:45

INTRODUCTION: Approach to assessing Natural & Regulatory Incentives (5 of 13)

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We have taken the following approach to understanding whether an Activity is covered by natural or regulatory incentives

Activity

- *An Activity is defined by MOSL as necessary to achieve one or more of the Market Outcomes*
- *An Activity is considered for inclusion in MPF 2, where incentives will be applied against it to drive required performance*
- *An Activity covers **wholesalers** and / or **retailers** who participate in the NHH water market*

Natural incentives

*If Activity is fully covered by **natural incentives**, then competition is working effectively to drive customer and market outcomes so incentivising it via MPF is likely unnecessary*

Is a natural incentive **present** for the Activity?

Yes

Is the natural incentive **effective**?

Yes

No

No

Is a there a **similar** regulatory incentive for the Activity?

No

Yes

Regulatory incentives

*If Activity interacts with a similar **regulatory incentive** under the Ofwat regime, it creates risk of adverse outcomes and so may not be suitable for inclusion in MPF.*

Does the regulatory incentive **interact** with the Activity?

Yes

No

Suggested treatment in MPF 2

Activity is **fully covered by natural incentives** so MOSL should **exclude** from the MPF

Activity is **partially covered by natural incentives** so MOSL could **include** in the MPF with reputational incentives to augment the existing natural incentives

Activity **has no applicable natural or regulatory incentives** so MOSL could **include** in MPF with incentives to drive required performance

Activity **interacts with regulatory incentives** so MOSL should **exclude** from the MPF due to risk of negative interactions, perverse incentives or double jeopardy

Activity **has no interaction with regulatory incentive** so MOSL could **include** in MPF with incentives to drive required performance

Ben Gough
11:45

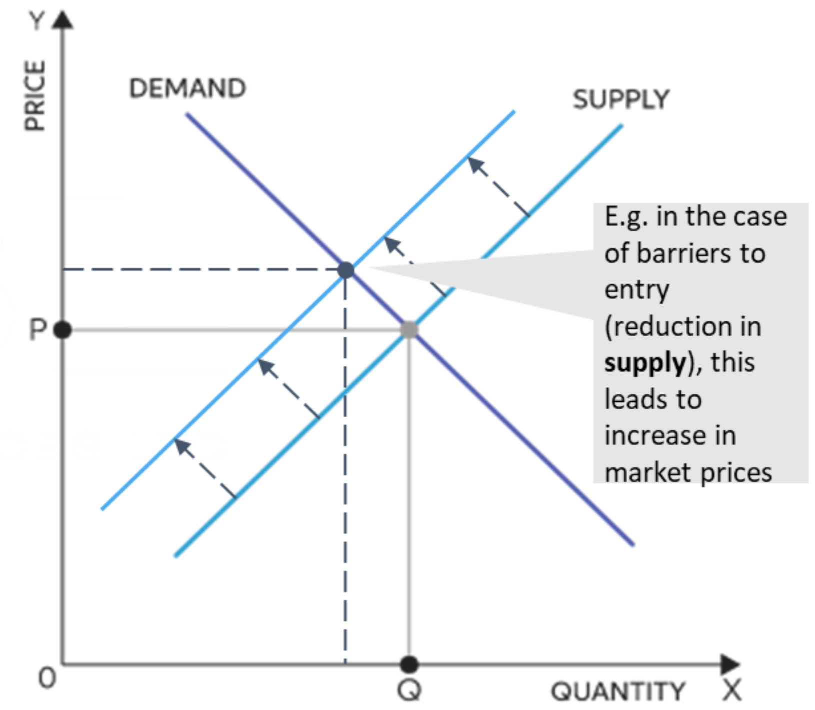
INTRODUCTION: Approach to assessing Natural & Regulatory Incentives – Natural incentives definition (6 of 13)

Natural incentives in economic theory

- Natural incentives generate from market features (i.e. **absence of barriers to entry, ease of switching, opportunity of market growth, product substitutability**) that incentivise market participants to compete.
- In a **free and competitive market**, market features incentivise companies to actively improve their proposition in order to retain a competitive advantage. In other words, they **align suppliers' and customers' interests** (including the social and environmental aspects) without intervention of economic regulation.[1]
- When the **competitive market does not function**, some natural incentives might not be present (e.g. a natural monopoly) - leaving companies without incentives to compete.

When the effects of the natural incentives are diminished because the market does not function effectively, the system operator (MOSL) or the regulator (Ofwat) should put **interventions** in place to **ensure market participants receive the right incentives or deliver the right outcomes.**

Natural incentives apply on both demand (e.g customer switching) and supply (e.g barriers to entry) dynamics



[1] *Examples include improving customer satisfaction to drive greater retention and investing in efficiency improvements to realise cost savings and/or offer a lower price point to customers.*

Ben Gougn
11:45

INTRODUCTION: Approach to assessing Natural & Regulatory Incentives – Natural incentives definition (7 of 13)

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We identify the core natural incentives from economic theory, define them and explain how they can influence the interactions between market participants

Core natural incentives	Definition	Resulting incentive effect
Absence of barriers to entry or exit	Barriers to entry/exit are the associated obstacles and incurred costs that prevents new competitors from participating in the market.	● New entrants with lower cost and value-adding services ● Incumbents are incentivised to improve their existing products (i.e service quality, price)
Ease of and motivation for switching	Customers are well informed on the different retailer propositions and actively engage in switching providers.	● Engaged customers can migrate to any suppliers offering better conditions, so firms are incentivised to adapt their end-to-end package to meet evolving consumer needs to retain and gain customers
Opportunity of NHH demand growth	Demand growth in absolute terms and/or existing demand which is still unfulfilled	● New entrants enter market as opportunities to acquire new customers, rather than having to convince existing customers to switch ● Incumbents incentivised to invest and adapt their propositions (i.e service quality, price) to establish competitive advantage.
Product substitutability	The ability to find an 'alternative' to an existing product	● Product substitutability directly leads to an increase in the scope of the addressable market. As a result, the effects of all the other core natural incentives are intensified.
Willingness to pay for 'premium' services	The extent to which a consumer is willing to pay for a 'premium' service.	● If customers are willing to pay a premium to receive higher quality / additional services, incumbents are incentivised to invest and adapt propositions to better meet consumer needs which may support higher margins.

Notes: 1) Ofwat gives a timeline estimate of ~60 days for granting a license from the application phase, with a corresponding ~£5k application fee 2) 58% of business customers were aware of their ability to switch retailer in 2019/20 whilst the level of engagement was ~8% Source: Analysis, MOSL

Ben Gough
11:45

INTRODUCTION: Approach to assessing Natural & Regulatory Incentives – Example application of our assessment of natural incentives (8 of 13)

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We identify the core natural incentives, define them and explain how they can influence the interactions between market participants

Activities	Natural incentives assessment	View on inclusion under the MPF
The MPF Reform programme has identified a set of Activities to achieve the outlined outcomes of the MPF	The purpose of this exercise is to assess each Activity against the five identified natural incentives to answer the following: 1. Is the incentive **present**, i.e. does it have the ability to impact on the Activity and lead to the desired behavioural changes on participants? 2. Is the natural incentive currently **effective** in doing so?	After understanding whether the right conditions are in place for natural incentives to be effective, we consider whether they could be made more effective through certain kinds of intervention

Example:

GS.3 Retailers resolve complaints in a timely and efficient way

Natural Incentive type	Does this natural incentive influence the outcomes desired by this Activity?	Is it effective in doing so?
Absence of barriers to entry/exit	**Yes.** If there is a pain point[1] in the market (e.g: complaints are not resolved in a timely and efficient way) coupled with absent barriers of entry/exit, there is a likelihood of new entrants emerging with innovative solutions	**No. Overall** the identified pain point is too narrow (i.e limited revenue opportunity) and doesn't seem to require a great extent of innovation, thereby not incentivising new entrants to emerge with new solutions
Ease of and motivation for switching	**Yes**. If customers were actively engaging in switching retailers, it would drive these entities to focus further on customer experience and adapt to evolving needs (e.g: within complaints process). Since the NHH is competitive, firms would act this way in attempts to ensure retention and also target 'new' customers	**No**. In the NHH water market, **overall** customers are not engaged and therefore it is unlikely they'll switch based on an improved complaints process from alternative providers.
Willingness to pay for 'premium'	**No.** Resolving complaints in a timely and efficient manner cannot be seen as a premium service, i.e. something customers would be willing to pay more to obtain. This Activity seems to fall under more general customer requirements.	N/A

Inclusion of reputational incentive (public leaderboard of retailers' complain resolution times) might augment natural incentive around switching through giving more information to customers on better performing companies under these measures)

Notes: 1) Specific problems faced by current or prospective customers in a marketplace

Ben Gough
11:45

INTRODUCTION: Approach to assessing Natural & Regulatory Incentives – Natural incentive effects and interventions on different customer segments (9 of 13)

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Our assessment of natural incentives looks at their overall effectiveness in the market, so does not focus on specific customer segments

However, we note that as NHH customers increase in size, certain natural incentives can increase (e.g. there is evidence that larger NHH customers are more engaged and able to switch than smaller customers)

Consideration of these different effects are important when selecting interventions as:

- "Light touch" interventions like reputational incentives are low risk, as they improve outcomes for all customers by increasing awareness of better services and prices
- However financial incentives increase the risk of double jeopardy with natural incentives if applied to large customers, as (in the example of poor customer service)…
    - A retailer providing a poor service to a large customer is more likely to trigger the natural incentive to switch
    - But the retailer will also be subject to the financial penalty under the MOSL framework for poor service quality
    - This results in double jeopardy as the retailer has (1) lost revenue from the customer switching but is also (2) subject to the financial incentive.

In this case, MOSL would need to consider whether to (a) target the financial incentive on the smaller customers where the natural incentive of switching is much less effective (which may be complex to administer), or (b) implement an alternative intervention type

INTRODUCTION: Approach to assessing Natural & Regulatory Incentives – Regulatory incentives definition (10 of 13)

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Regulatory incentives from the Ofwat regime	Our assessment
The Ofwat regime contains a series of incentives, which can can be grouped into three categories: **Service** *To push companies to provide the best quality to consumers* **Cost** *To enhance companies' cost efficiency* **Risk and return** *To support investment in network infrastructure*	For the purpose of our assessment, only **service incentives** are being considered. This is because these can be aligned with the desired market outcomes set by MOSL.
In its most recent Price Review (PR19) and intended to be continued in the upcoming PR24 price review, Ofwat set service incentives by creating **Performance Commitments (PCs) and Outcome Delivery Incentives (ODIs)** for companies. ● **PCs** set out the metrics and target levels that are subject to the incentive. Some are common across all companies, others are specific to certain companies (bespoke). ● **ODIs** set out the type of incentive that applies reputational or financial).	Comparability across companies is key for our assessment and therefore we have included **only the common PCs and ODIs and excluded bespoke regulatory incentives.**
Within <u>any</u> allowed revenue regime, there is also the risk of cross-subsidisation.	The risk limited in this market but Ofwat and MOSL should collaborate to ensure appropriate monitoring and assurance, such as for example requiring companies to publish an **assurance statement on cross subsidies**.

Ben Gough
11:45

INTRODUCTION: Approach to assessing Natural & Regulatory Incentives – Regulatory incentives definition (11 of 13)

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Relevant commitments

We identified as **relevant** the commitments/ incentives that impact or interact with MOSL Activities. When there was no interaction we excluded the PC/ODI.

8 PCs/ODIs resulted as relevant and were used in our assessment

Outcomes	Common performance commitments in PR24	In PR19	Relevant
Customers receiving excellent service everyday	Customer Measure of Experience (C-MeX)	✓	✗
	Developer services measure of experience (D-MeX)	✓	✓
	Business customer Measure of Experience (BR-MeX)	✗	✓
	Business customer experience in Wales	✗	✓
	Water supply interruptions	✓	✓
	Compliance risk index (CRI)	✓	✗
	Water quality contacts	✓	✗
	Sewer flooding (internal and external)	✓[2]	✗
Environmental outcomes	Biodiversity	✗	✗
	Operational GHG emissions	✗	✗
	Water demand[1]: Leakage; per capita consumption; business demand; leakage, per capita consumption and business demand combined	✓[3]	✓
	Pollution incidents (total and serious)	✓	✗
	Discharge permit compliance	✗	✗
	Bathing water quality	✗	✗
	River water quality	✗	✗
	Storm overflows	✓	✗
Asset health	**Mains repairs**	✓	✓
	Unplanned outages	✓	✓
	Sewer collapses	✓	✓
	Resolving voids and gap properties	✗	✓

All PCs/ODIs belong to the **service** category of incentives.

As part of PR24, Ofwat has added a few **customer satisfaction** PCs and ODIs (BR-MeX and business customer experience).

..and several commitments related to **environmental outcomes**, to align companies behaviour to the net zero targets.

Ofwat might include **gaps and void** properties in PR24, but they should be covered in the MPF2.

Notes: 1) Ofwat outlines 4 performance commitments related to water demand in it's full list, highlighting that these are not final (e.g. decision to be made on whether there will be a combined leakage and per capita consumption PC or separate). For the purpose of this exercise, we'll refer to them as 'water demand regulatory incentives'. 2) internal only 3) leakage and PCC only 3) internal only

Ben Gough
11:45

INTRODUCTION: Approach to assessing Natural & Regulatory Incentives – Example application of our assessment of regulatory incentives (12 of 13)

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Activities

In the previous phase of the MPF Reform programme we identified a set of Activities to achieve the outlined outcomes of the MPF

Regulatory incentives assessment

The purpose of this exercise is to assess each Activity against the identified common performance commitments to answer the following:

1. Is there an **applicable regulatory incentive**, i.e does the Activity clearly align with any of Ofwat's common performance commitments?

1. Does the regulatory incentive have the **ability to impact the Activity** and lead to the desired behavioural changes on participants?

View on inclusion under the MPF

After understanding which Activities are sufficiently covered by regulatory incentives, we consider which Activity groups MOSL should reconsider for further action.

Example:

UWE.1
Wholesalers to notify retailers when potential supply pipe leaks are identified

Similar regulatory incentive	Rationale	Interaction with Activity (Y/N)	Rationale
Leakage - financial incentive	Ofwat sets leakage reduction targets that wholesalers need to meet; improving leakage controls may support achievement of this target	**No**	Supply pipe leaks do not count towards wholesalers' leakage targets (as supply pipes are part of the customer's property rather than the wholesaler network), so the Ofwat incentive covers a separate area to this Activity and so does not interact[1]

MOSL should consider this Activity for inclusion and incentivisation under the MPF

Notes: 1) We note that Ofwat are collecting further information from companies to understand the level of consistency of approaches adopted to address leakage on customers' own pipes, and depending on the outcome there may be changes to the way that companies approach business customer supply pipe leakage at PR24

Ben Gough
11:45

INTRODUCTION: Approach to assessing Natural & Regulatory Incentives – Next steps (13 of 13)

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- We are finalising our findings and recommendations with the final version of the report due on w/c 15th August
- The report will include:

Section 1	**Introduction** Set the scene and present the links with the previous phases of the MPF work undertaken by MOSL.
Section 2	**Setting out the context** Define the NHH market, analysing the role of its participants, and their interactions.
Section 3	**Setting our approach** Describes the approach we adopted for our assessment
Section 4	**Natural incentives impact on Activities** • Define natural incentives based on established economic principles on the drivers of competitive market forces; • Analyse how these incentives impact the Activities identified the previous phase of MOSL's MPF Reform work; • Identify which Activities are fully, partially or not covered.
Section 5	**Regulatory incentives impact on Activities** • Define regulatory incentives based on Ofwat's publications on its PR19 and PR24 incentives; • Analyse how these incentives impact the Activities identified the previous phase of MOSL's MPF Reform work; • Identify which Activities are fully, partially or not covered.
Section 6	**Conclusions and recommendations on MOSL** Using the findings from our assessment, we provide high-level recommendations on how the Activities should be taken forward by MOSL for considerations for MPF 2

This report will be shared at PAG 05

Ben Gough
11:45

Agenda

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1	Welcome	Chair	5 Mins
2	Actions from previous meeting	Chair	5 Mins
3	MPF - Re-Cap on Methodology and Progress	John Gilbert	20 Mins
4	ENDORSE – Activities that support market outcomes	Janet Judge	15 Mins
5	INTRODUCTION: Approach to assessing Natural & Regulatory Incentives	Ben Gough	60 Mins
6	**DISCUSSION – PAG Workshop**	**Chair**	**5 Mins**
7	Any other business	Chair	5 Mins

DISCUSSION – PAG Workshop (1 of 1)

- Feedback from PAG 03, request for workshop to fully understand Activities and Activities linked to risks and outcomes
- Would workshop still be useful?
- Understand scope of workshop

Chair
11:50

Agenda

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6	DISCUSSION – PAG Workshop	Chair	5 Mins
7	**Any other business**	**Chair**	**5 Mins**

Future Meetings (1 of 1)

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Meeting Date	Endorsements / Introductions
Proposed 'Drop in' workshop	Development of risk mapping to activities
PAG 05 – 17 Aug	**Methods of prioritisation for Activities / REPORT ISSUED: Natural and Regulatory Incentives /** Intervention types
PAG 06 – 31 Aug	**Intervention types**/Focus areas of MPF (reflecting risk scores and natural/reg incentives)

Chair
11:50