

## Minutes of the Performance Advisory Group 05

17 August 2022 – 10:00 to 12:00

### MEMBERS PRESENT

Chris Dawson	CD	MOSL (Chair)	Adam Boyns	AB	CCW
David Morris	DM	Waterplus	Emily Jerrome	EJ	Water2Business
Jon Fuller	JF	Wessex Water	Kate Russell	KR	Yorkshire Water
Michael Rathbone	MR	Severn Trent	Richard Varley	RV	Southwest Water
Sarah Scott	SS	Veolia	Wendy Monk	WM	Wave

### OTHER ATTENDEES

Adam Richardson	AR	MOSL	Axelle Saada	AS	MOSL
Ben Gough	BG	PwC	Helen Fryer	HF	MOSL (Minutes)
Janet Joss	JJ	MOSL	John Gilbert	JG	MOSL
Matt Labrum	ML	MOSL	Rosalind Carey	RC	Business Stream

### APOLOGIES

Adam Smith	AS	Castle Water	Claire Yeates	CY	Waterscan
Evan Joanette	EJo	MOSL	Georgina Mills	GN	Ofwat
Steve Formoy	SF	MOSL	Trevor Nelson	TN	Business Stream

## ACTIONS FROM MEETING(S)

NO	Action required	Action by	Action Date
05/01	Re-schedule PAG06 on 31 August to accommodate workshop	HF	19/08/22
05/02	The endorsed method for the prioritisation for activities (Option 4b) will need to be explained in a logical way to ensure that it is understood by the outside world	JJ/JH	30/09/22
05/03	New lens (Business incentives) - Consider the inherent cost incentives that drive behaviours outside of the MPF – Members to provide feedback based on the Output report to highlight the activities and interventions that would apply to natural and business incentives	ALL	26/08/22
05/04	MOSL to look to build a review of the interventions within the MPF programme to ensure that there are no conflicts or impacts following PR24 and the REC review in December 2022	MOSL	31/08/22

<b>1</b>	<b>Welcome</b>
1.1	The Chair welcomed attendees to the meeting
<b>2</b>	<b>Actions from previous meeting</b>
2.1	<p>04/01 - Potentially no market activity for the following scenario: The issue whereby the sewage retailer thinks it has resolved the problem but cannot action as only the retailer has the CMOS rights – <b>ONGOING</b></p> <p>04/02 - PwC's final report to cover how natural incentives effects and interventions on different customer segments has been considered - <b>CLOSED</b></p> <p>04/03 - Poll to be sent to members with regards to suggested dates and meeting style options for forthcoming workshop - <b>UPDATE</b></p> <p>04/01 - Ensure customers have an opportunity to engage in consultations as the MPF programme progresses (consultations currently anticipated to begin in late September) - <b>NOTED/ONGOING</b></p>
<b>3</b>	<b>Workshop Discussion</b>
3.1	Following feedback from members it was <b>AGREED</b> that the time of the PAG06 meeting would be revised to accommodate a virtual workshop as follows:

	Wednesday 31 August, 09:00 – 11:00 Workshop / 11:00 – 13:00 PAG06 meeting <b>Action Point: 05/01</b>
<b>4</b>	<b>ENDORSE: Methods of prioritisation for activities</b>
4.1	JJ presented and advised that following feedback, she would reiterate the options presented to members for prioritising activities for clarity
4.2	JJ posed a question to members: Would you be comfortable if the MPF left out severity '9' risks/issues? After discussion, JJ summarised the responses stating that members would be comfortable if the activity or risk was covered by a natural or regulatory incentive that exists outside of the MPF, however members would not be comfortable if this was not the case, then these should then be included in the MPF
4.3	JJ took members through the implications of prioritisation and presented a simplified graph comparing the features of each of the options available
4.4	An explanation for MOSL's preferred option, outlining the advantages and how this meets with the 'approved' success criteria was presented together with an overview of the feedback received from members
4.5	The following points were raised and <b>NOTED</b> : <ul style="list-style-type: none"> <li>DM stated that this is a prioritisation rather than trying to mandate/dictate exactly what we put measures on without any additional context and consideration. Even some things that do not have natural or regulatory incentives, there may not be a workable solution so we will have to de-prioritise working this through the MPF and conversely, there may be somethings that are very easily considerable as part of the MPF that do not trigger risks today but would be simple to have a lasting solution included</li> <li>AB said that he felt that 4b was the most robust option but had concerns as to how easily explainable it is to the outside world, there is a level of complexity to it where others benefit from being simpler. We need to be sure that it can be explained in a logical way <b>Action Point: 05/02</b></li> </ul>
4.6	The Performance Advisory Group unanimously <b>ENDORSED</b> Option 4b as the preferred option for prioritisation of activities
<b>5</b>	<b>REPORT ISSUED: Natural and regulatory incentives</b>
5.1	BG outlined what had been shared previously with members and advised that today's presentation would concentrate on the findings and recommendations from the full final report which was sent to members on Tues 16 August
5.2	The following points were raised and <b>NOTED</b> :

	<p><u>High level approach</u></p> <ul style="list-style-type: none"> <li>RC requested clarity – is non-payment included as a natural incentive or considered anywhere else within the process? This question was debated. AR said that RC had highlighted an example of costs that can be inferred due to consequence of poor-quality service, it feels that it is a slightly different overlay to the natural and regulatory incentives that we should not lose. DM added that there are inherent cost incentives that drive behaviours outside of the MPF, indirect regulatory incentives that do exist, it would be beneficial to understand what the additional pressures are, not necessarily in natural incentives. <b>Action Point: 05/03</b></li> </ul> <p><u>Activities that can be considered for intervention in the MPF</u></p> <ul style="list-style-type: none"> <li>RC asked if, when looking at the regulatory regime, are you looking at the ‘existing’ regulatory regime or what may be coming. BG confirmed that both current and future methodologies are looked at including PR24 as part of the Group 5 activities</li> </ul> <p><u>Suggestions and recommendations</u></p> <ul style="list-style-type: none"> <li>KR said that the PR24 proposed measure is going to be around water demand which looks to include a business demand measurement, has this been included? BG confirmed that it had been picked up appropriately and captured</li> <li>WM asked if the REC had also been taken into consideration and whether that could change or influence the MPF content focus. BG replied that this would come under the scope of ‘evolutions’ in the market and the way it is regulated which may call for a review of the MPF activities (slide 9). The REC has not been taken into consideration as it is still being developed. BG advised that the report is a ‘snapshot’ assessment of a point time but the way in which the approach has been structured, when the REC details are released in December, the activities can be run through again using the same framework</li> <li>RC said that the assumption that customers are not engaging, and prices are too low to incentivise suppliers to try engagement, could fundamentally change in 2023. The REC could change the direction of the market to drive customer engagement. What we are trying to do is make the market work better and pursue competition, so when you talk about recommendations in terms of retailers, it is about reputational incentives that encourage competition. It is important, we do not want is an assumption that we are never going to get competition and impose more layers of regulation on a market that is supposed to be competitive but to ensure that the changes are made to the market to facilitate competition and this process needs to move us in that direction. BG replied that more effective competition will emerge over the next few years with natural incentives becoming more powerful. We recognise, for the retail space that the capacity for competition is there, it is just making sure it works better</li> </ul>
5.3	<p>AR referred to the point raised by RC (Action Point: 05/03) and proposed that PAG members feedback to MOSL with regards to the factors that drive decision making in their own separate businesses when making decisions about the priority delivery of different services and activities to</p>

	<p>establish a list of factors that are part of the business incentives for consideration (additional lens) to form the scope of the MPF</p> <p>The Performance Advisory Group <b>AGREED</b> to provide feedback based on the Output report to highlight the activities and interventions that would apply to natural and business incentives <b>Action Point: 05/03</b></p> <p>The following point was raised and <b>NOTED</b>:</p> <ul style="list-style-type: none"> <li>• AB said that this would be a worthwhile exercise asking TPs to complete and as part of this, we could incorporate what the customer dissatisfaction lens is in this area as well. AR replied that he thought this would be a separate piece and explained the reasoning behind this</li> </ul>
<b>6</b>	<b>INFORMATION: Introduction to intervention types</b>
6.1	<p>JJ presented; the following points were introduced to members and discussed in detail:</p> <ul style="list-style-type: none"> <li>• Where the candidate intervention types sit within the MPF framework</li> <li>• An overview of the intervention hierarchy</li> <li>• Details of the one-page summaries which will be sent to members for PAG06 pre-read and details of the feedback requested</li> </ul>
<b>7</b>	<b>Any other business</b>
7.1	<p>The Chair <b>NOTED</b> that PR24 and the REC review coincide with each other around December 2022 and advised that MOSL will discuss internally whether we can build a review of the interventions within the programme to ensure that there are no conflicts or impacts <b>Action Point: 05/04</b></p>
7.2	The Chair thanked everyone for their attendance and closed the meeting at 12:05