

Market Performance Framework

Performance Advisory Group – PAG05

Pre-read :

- Options for prioritisation of activities to be covered by the MPF (based on risk)

Non – PAG members are welcome to comment via mpfreform@mosl.co.uk

5 August 2022

The ask of PAG Members

- 💧 Feedback is requested via email (mpfreform@mosl.co.uk) in advance by close of business on Friday **12 August** on your **preferred** option for prioritisation of activities (based on risk)
- 💧 With a view to **Endorse** in PAG 05 (17 August)
- 💧 Four options summarised on Slide 5

Options for prioritisation of activities to be covered by the MPF

Purpose

- We have an endorsed list of activities that drive successful outcomes in the market – including those that may or may not form part of a future MPF
- We need to ensure interventions are focused on activities that make the biggest difference to the delivery of desired market outcomes
- We need a way to prioritise activities

The options for prioritising activities are based on the risk score aligned with the activity from the mapping activities to risk / issues exercise, and are:

- Option one – prioritise activities by number of risks / issues
- Option two – prioritise by number of risks / issues with the highest scores
- Option three – prioritise by the highest combined total risks / issues score
- Option four – (option two and three combined) prioritise by the highest combined total risks / issues score and the number of risks / issues with the highest scores

Options for prioritisation of activities to be covered by the MPF in more detail

- The following slides set out the detail of the options for prioritisation
- The information in the slides is an example for **illustrative purposes** and is based on an earlier draft of the activities and risk mapping. It does not, for example, reflect the new activities from PAG04
- We will look at the activities and risk mapping with PAG members in the upcoming workshop

Options Pros and Cons

01

Quantity-based: Prioritise activities which mitigate the most risks

Formula: Priority = number of risks identified under each activity

Pros:

- Prioritised activities will cover a large number of risks;
- Simplifies the number of activities to be covered by the MPF

Cons:

- Prioritised activities do not focus on risks with highest scores;
- Risks to customers are not explicitly prioritised

01

02

Individual risk impact-based: Prioritise activities which mitigate the individual risks with the highest scores

Formula: Priority = activities that map to the highest sum of risk scores mitigated

Pros:

- Prioritised activities will have the most significant overall impact to mitigate risk
- Prioritisation can take into account of customer, retailer and wholesaler risks

Cons:

- Individual high-scored risks may be missed if they are mitigated by an activity that has a low sum of risk scores (will occur if an specific activity only maps to one high scoring risk, rather than multiple risks)

03

03

Combined risk-based: Prioritise activities that map to the highest sum of risk scores mitigated

Formula: Priority = activities that map to the highest individual customer risk scores

Pros:

- Prioritised activities target risks identified as most material
- Focus is automatically placed on risks to customers

Cons:

- Activities targeting risks to retailers and wholesalers may not be included due to the way the scores are calculated
- Deprioritises activities which target multiple medium and lower-scoring risks

02

04

Combination of 2 and 3: Prioritise activities which mitigate the highest combined risk scores, and ensures activities that target risks with high scores are included **preferred option**

04

Formula: Priority = 2 and 3 combined

Pros:

- Prioritised activities will have the most significant overall impact to mitigate risk
- Prioritised activities target risks identified as most material
- Prioritisation can take into account of customer, retailer and wholesaler risks

Cons:

- May end up with a long list of activities. This can be mitigated by performing an optimisation exercise to determine whether multiple activities are mitigating the same risk and can be rationalised

Option 1: Quantity based

Quantity-based: Prioritise activities which mitigate the most risks

01

Formula: $Priority = \text{number of risks identified under each activity}$

Pros:

- Prioritised activities will cover a large number of risks;
- Simplifies the number of activities to be covered by the MPF

Cons:

- Prioritised activities do not focus on risks with highest scores;
- Risks to customers are not explicitly prioritised

01

Questions / Considerations

- A simple approach that is easily understood
- Focuses MPF across activities with many risks
- But doesn't guarantee all 'high-severity' risks are covered.
- A decision would need to be made on where to draw the line for what 'risk count' would be low enough to exclude an activity from the MPF?

Top 5 Activities are:

REF	Activities and Behaviours	No of Risks	Total Cust Impact & Risk Score	3	4	6	9	Total RTL Impact & Risk Score	Total WHL Impact & Risk Score	Combined TP Score
CV.2	Retailers to make sure that CMOS is regularly updated with good quality customer & consumption data	12	82		1	7	4	26	23	49
UWE.2	Retailers to make sure that CMOS is regularly updated with good quality customer & consumption data	12	82		1	7	4	26	23	49
UWE.3	Wholesaler to make sure that CMOS is regularly updated with good quality asset and premises data	11	72			9	2	25	21	46
CV.3	Wholesaler to make sure that CMOS is regularly updated with good quality asset and premises data	11	72			9	2	25	21	46
UWE.6	Retailers provide bills that are based on evidence and supported by consistent and clear terms and	8	60			4	3	19		

Bottom 5 Activities are:

REF	Activities and Behaviours	No of Risks	Total Cust Impact & Risk Score	3	4	6	9	Total RTL Impact & Risk Score	Total WHL Impact & Risk Score	Combined TP Score
CV.12	Market participants work collaboratively to implement processes (e.g. open data) to	3	13	1	1	1		4	6	10
CV.17	Accurate and timely invoicing and payment of primary charges	2	18				2	6	4	10
GS.3	Retailers resolve complaints in a timely and efficient way	2	18				2	5	3	8
CV.19	Calculation and publication of timely and accurate settlement calculations and reports to enable lodging of	1	6			1		2	2	4
CV.20	Calculation of timely and accurate MO charges and invoicing	1	6			1		2	2	4

Option 2: Individual Risk Impact-based

02

Individual risk impact-based: Prioritise activities which mitigate the individual risks with the highest scores

Formula: Priority = activities that map to the highest individual customer risk scores

02

Pros:

- Prioritised activities target risks identified as most material
- Focus is automatically placed on risks to customers

Cons:

- Activities targeting risks to retailers and wholesalers may not be included due to the way the scores are calculated
- Deprioritises activities which target multiple medium and lower-scoring risks

Questions / Considerations

- Sub-options
 - a) Order by count of severity '9' risks only. Activities with only risks of '6' or lower are excluded. Ties are not resolved.
 - b) Order by count of severity '9' risks, then, for any ties, by count of severity '6' risks. Activities with only risks of '4' or lower are excluded.
 - c) Order by count of severity '9' risks, then, for any ties, by count of severity '6' risks, then, for any ties, by count of severity '4' risks. Activities with only risks of '3' are excluded.
- The options above will help sort mid-table activities for lighter- or heavier-touch application of MPF Interventions.
- Count of activities included in / excluded from scope:

Sub-option	Number of Activities in scope of MPF	Highest risk score (sum) of included Activity	Number of Activities out of scope of MPF	Highest risk score (sum) of excluded Activity
(a)	30	82	3	13
(b)	33	82	0	n/a
(c)	33	82	0	n/a

Reminder of Scoring thresholds (indicative) used in Risk and Issues Tracker

Slide for information only. This was previously looked at and endorsed as part of the Risk and Issues Tracker workstream

Volume scoring

Total water SPIDs in the market = 1,400,000

Score	Volume (SPIDs)
1	<1% (14k)
2	1-5% (14k to 70k)
3	>5% (70k)

Customer impact scoring

Score	Impact
1	Financial: <1% impact to bill Experience: Minimal impact on satisfaction Choice: No/minimal impact on consumption
2	Financial: 1 to 5% impact on individual SPID billed amount Experience: Reduced satisfaction but not as complaint level Choice: some effect on ability to understand or affect consumption but not 'major'
3	Financial: 5% or more impact on bill Experience: Major impact - likely to lead to complaint Choice - major impact on ability to understand or affect consumption

**Combined customer score =
Volume score multiplied by impact score**

Retailer impact scoring

Score	Impact
1	Settlement: negligible impact on monthly settlement amount Other costs: negligible impact on total cost to serve Revenue: negligible impact on total revenue billed
2	Settlement: <2% impact on monthly settlement amount Other costs: <5% impact on cost to serve Revenue: <2% impact on total revenue billed Significant impact on customer complaint/satisfaction/retention levels (not negligible)
3	Settlement: >2% impact on monthly settlement amount Other costs: >5% impact on total cost to serve Revenue: >2% impact on total revenue billed Material impact on customer complaint/satisfaction levels (impacting industry overall levels)

Wholesaler impact scoring

Score	Impact
1	Settlement: negligible impact on monthly settlement amount Other costs: negligible impact on cost to serve Operational: negligible impact on achievement of ODIs
2	Settlement: <2% impact on monthly settlement amount Other costs: <5% impact on cost to serve Operational: <2% impact on achievement of ODI
3	Settlement: >2% impact on monthly settlement amount Other costs: >5% impact on cost to serve Operational: >2% impact on achievement of ODI

Option 2c: Individual Risk Impact-based

Example Table Extracts.... 2c) Order by count of severity ‘9’ risks, then, for any ties, by count of severity ‘6’ risks, then, for any ties, by count of severity ‘4’ risks. Activities with only risks of ‘3’ are excluded.

Top 10 Activities are:

REF	Activities and Behaviours	No of Risks	Total Cust Impact & Risk Score	3	4	6	9	Total RTL Impact & Risk Score	Total WHL Impact & Risk Score	Combined TP Score
CV.2	Retailers to make sure that CMOS is regularly updated with good quality customer & consumption data	12	82		1	7	4	26	23	49
UWE.2	Retailers to make sure that CMOS is regularly updated with good quality customer & consumption data	12	82		1	7	4	26	23	49
GS.1	Retailers provide clear information to customers on what their rights are (e.g. payment protection plans,	7	52		1	2	4	16	12	28
GS.5	Wholesalers better reflect the needs and requirements of their	7	50		1	2	4	17	16	33
CV.9	Wholesaler to resolve request in timely and efficient manner (with	8	57			5	3	20	18	38
CV.13	Market participants improve processes to identify gaps sites and	8	57			5	3	19	14	33
UWE.6	Retailers provide bills that are based on evidence and supported by consistent and clear terms and	8	60			4	3	19	14	33
CV.11	Market participants work collaboratively to facilitate the	7	46	1	1	2	3	16	15	31
GS.8	Wholesalers to provide timely, clear and concise explanations around most common customer wholesale-	6	43		1	2	3	15	13	28
UWE.3	Wholesaler to make sure that CMOS is regularly updated with good quality asset and premises data	11	72			9	2	25	21	46

Bottom 10 Activities are:

REF	Activities and Behaviours	No of Risks	Total Cust Impact & Risk Score	3	4	6	9	Total RTL Impact & Risk Score	Total WHL Impact & Risk Score	Combined TP Score
CV.8	Retailers to keep customers informed on query resolution	3	24			1	2	7	5	12
GS.2	Retailers provide clear information to customers on how the complaints	3	24			1	2	7	4	11
CV.17	Accurate and timely invoicing and payment of primary charges	2	18				2	6	4	10
GS.3	Retailers resolve complaints in a timely and efficient way	2	18				2	5	3	8
CV.6	Retailers to provide sufficient level of actual meter reads to ensure accurate consumption data (giving	7	40	1	1	4	1	15	13	28
CV.5	Suppliers make customers aware of their ability to switch	4	27			3	1	9	5	14
CV.4	Retailers to provide product details and prices clearly to customers	4	25		1	2	1	9	6	15
CV.12	Market participants work collaboratively to implement processes (e.g. open data) to facilitate innovate trials and experiments (regulatory sandbox)	3	13	1	1	1		4	6	10
CV.19	Calculation and publication of timely and accurate settlement calculations and reports to enable	1	6			1		2	2	4
CV.20	Calculation of timely and accurate MO charges and invoicing	1	6			1		2	2	4

Option 3: Combined Risk Score-based

03

Combined risk-based: Prioritise activities that map to the highest sum of risk scores mitigated

Formula: Priority = activities that map to the highest sum of risk scores mitigated

Pros:

- Prioritised activities will have the most significant overall impact to mitigate risk
- Prioritisation can take into account of customer, retailer and wholesaler risks

Cons:

- Individual high-scored risks may be missed if they are mitigated by an activity that has a low sum of risk scores (will occur if a specific activity only maps to one high scoring risk, rather than multiple risks)

03

Questions / Considerations

- A simple approach that is easily understood
- Focuses MPF across activities with many risks
- But doesn't guarantee all 'high-severity' risks are covered.
- Gives a similar result to Option 1
- A decision would need to be made on where to draw the line for what 'risk score' would be low enough to exclude an activity from the MPF?

Top 5 Activities are:

REF	Activities and Behaviours	No of Risks	Total Cust Impact & Risk Score	3	4	6	9	Total RTL Impact & Risk Score	Total WHL Impact & Risk Score	Combined TP Score
CV.2	Retailers to make sure that CMOS is regularly updated with good quality customer & consumption data	12	82		1	7	4	26	23	49
UWE.2	Retailers to make sure that CMOS is regularly updated with good quality customer & consumption data	12	82		1	7	4	26	23	49
UWE.3	Wholesaler to make sure that CMOS is regularly updated with good quality asset and premises data	11	72			9	2	25	21	46
CV.3	Wholesaler to make sure that CMOS is regularly updated with good quality asset and premises data	11	72			9	2	25	21	46
UWE.6	Retailers provide bills that are based on evidence and supported by consistent and clear terms and	8	60			4	3	19		

Bottom 5 Activities are:

REF	Activities and Behaviours	No of Risks	Total Cust Impact & Risk Score	3	4	6	9	Total RTL Impact & Risk Score	Total WHL Impact & Risk Score	Combined TP Score
CV.17	Accurate and timely invoicing and payment of primary charges	2	18				2	6	4	10
GS.3	Retailers resolve complaints in a timely and efficient way	2	18				2	5	3	8
CV.12	Market participants work collaboratively to implement processes (e.g. open data) to	3	13	1	1	1		4	6	10
CV.19	Calculation and publication of timely and accurate settlement calculations and reports to enable	1	6			1		2	2	4
CV.20	Calculation of timely and accurate MO charges and invoicing	1	6			1		2	2	4

Option 4: Combination of Score and Individual Risk Severity

04

Combination of 2 and 3: Prioritise activities which mitigate the highest combined risk scores, and ensures activities that target risks with high scores are included **preferred option**

04 *Formula: Priority = 2 and 3 combined*

Pros:

- Prioritised activities will have the most significant overall impact to mitigate risk
- Prioritised activities target risks identified as most material
- Prioritisation can take into account of customer, retailer and wholesaler risks

Cons:

- May end up with a long list of activities. This can be mitigated by performing an optimisation exercise to determine whether multiple activities are mitigating the same risk and can be rationalised

Questions / Considerations

- Sub-options....
 - a) Sort by total risk score, then by count of severity '9' risks. (Further variants possible if then sorting by severity '6' risks etc as per Option 2).
 - b) Sort by count of severity '9' risks, then by total risk score. (Further variants possible if sorting by severity '6' risks etc as per Option 2 prior to sorting by total risk score).
- The options above will help sort mid-table activities for lighter- or heavier-touch application of MPF Interventions. But (given current risks score) may not yield very different results to options 2 or 3.
- A decision would need to be made on where to draw the line for what 'risk score' would be low enough to exclude an activity from the MPF under option 4(a) – This would then likely exclude some high-severity risks?

Option 4a: Combination of Score and Individual Risk Severity

Example Table Extracts.... 4a) Order by total risk score, then by count of severity '9' risks.

Top 10 Activities are:

REF	Activities and Behaviours	No of Risks	Total Cust Impact & Risk Score	3	4	6	9	Total RTL Impact & Risk Score	Total WHL Impact & Risk Score	Combined TP Score
CV.2	Retailers to make sure that CMOS is regularly updated with good quality customer & consumption data	12	82		1	7	4	26	23	49
UWE.2	Retailers to make sure that CMOS is regularly updated with good quality customer & consumption data	12	82		1	7	4	26	23	49
UWE.3	Wholesaler to make sure that CMOS is regularly updated with good quality asset and premises data	11	72			9	2	25	21	46
CV.3	Wholesaler to make sure that CMOS is regularly updated with good quality asset and premises data	11	72			9	2	25	21	46
UWE.6	Retailers provide bills that are based on evidence and supported by consistent and clear terms and	8	60			4	3	19	14	33
CV.9	Wholesaler to resolve request in timely and efficient manner (with	8	57			5	3	20	18	38
CV.13	Market participants improve processes to identify gaps sites and	8	57			5	3	19	14	33
GS.1	Retailers provide clear information to customers on what their rights are (e.g. payment protection plans,	7	52		1	2	4	16	12	28
GS.5	Wholesalers better reflect the needs and requirements of their	7	50		1	2	4	17	16	33
CV.1	Retailers to handover good quality timely customer data on customer	7	48			5	2	17	13	30

Bottom 10 Activities are:

REF	Activities and Behaviours	No of Risks	Total Cust Impact & Risk Score	3	4	6	9	Total RTL Impact & Risk Score	Total WHL Impact & Risk Score	Combined TP Score
CV.18	Provision of timely and appropriate tariffs into the central systems	3	24			1	2	8	5	13
GS.4	Retailers provide clear and accessible information on their relative customer satisfaction performance	3	24			1	2	7	4	11
CV.7	Retailers to report customer queries to wholesalers in timely manner	3	24			1	2	7	4	11
CV.8	Retailers to keep customers informed on query resolution	3	24			1	2	7	5	12
GS.2	Retailers provide clear information to customers on how the complaints process works	3	24			1	2	7	4	11
CV.17	Accurate and timely invoicing and payment of primary charges	2	18				2	6	4	10
GS.3	Retailers resolve complaints in a timely and efficient way	2	18				2	5	3	8
CV.12	Market participants work collaboratively to implement processes (e.g. open data) to facilitate innovate trials and experiments [regulatory sandbox]	3	13	1	1	1		4	6	10
CV.19	Calculation and publication of timely and accurate settlement calculations and reports to enable lodging of credit and settlement of primary charges	1	6			1		2	2	4
CV.20	Calculation of timely and accurate MO charges and invoicing	1	6			1		2	2	4

Option 4b: Combination of Score and Individual Risk Severity

Example Table Extracts.... 4b) Order by count of severity '9' risks, then by total risk score.

Top 10 Activities are:

REF	Activities and Behaviours	No of Risks	Total Cust Impact & Risk Score	3	4	6	9	Total RTL Impact & Risk Score	Total WHL Impact & Risk Score	Combined TP Score
CV.2	Retailers to make sure that CMOS is regularly updated with good quality customer & consumption data	12	82		1	7	4	26	23	49
UWE.2	Retailers to make sure that CMOS is regularly updated with good quality customer & consumption data	12	82		1	7	4	26	23	49
GS.1	Retailers provide clear information to customers on what their rights are (e.g. payment protection plans,	7	52		1	2	4	16	12	28
GS.5	Wholesalers better reflect the needs and requirements of their	7	50		1	2	4	17	16	33
UWE.6	Retailers provide bills that are based on evidence and supported by consistent and clear terms and	8	60			4	3	19	14	33
CV.9	Wholesaler to resolve request in timely and efficient manner (with	8	57			5	3	20	18	38
CV.13	Market participants improve processes to identify gaps sites and	8	57			5	3	19	14	33
CV.11	Market participants work collaboratively to facilitate the	7	46	1	1	2	3	16	15	31
GS.8	Wholesalers to provide timely, clear and concise explanations around most common customer wholesale-	6	43		1	2	3	15	13	28
UWE.3	Wholesaler to make sure that CMOS is regularly updated with good quality asset and premises data	11	72			9	2	25	21	46

Bottom 10 Activities are:

REF	Activities and Behaviours	No of Risks	Total Cust Impact & Risk Score	3	4	6	9	Total RTL Impact & Risk Score	Total WHL Impact & Risk Score	Combined TP Score
CV.8	Retailers to keep customers informed on query resolution	3	24			1	2	7	5	12
GS.2	Retailers provide clear information to customers on how the complaints process works	3	24			1	2	7	4	11
CV.17	Accurate and timely invoicing and payment of primary charges	2	18				2	6	4	10
GS.3	Retailers resolve complaints in a timely and efficient way	2	18				2	5	3	8
CV.6	Retailers to provide sufficient level of actual meter reads to ensure accurate consumption data (giving accurate settlement and customer billing)	7	40	1	1	4	1	15	13	28
CV.5	Suppliers make customers aware of their ability to switch	4	27			3	1	9	5	14
CV.4	Retailers to provide product details and prices clearly to customers	4	25		1	2	1	9	6	15
CV.12	Market participants work collaboratively to implement processes (e.g. open data) to facilitate innovate trials and experiments [regulatory sandbox]	3	13	1	1	1		4	6	10
CV.19	Calculation and publication of timely and accurate settlement calculations and reports to enable lodging of credit and settlement of primary charges	1	6			1		2	2	4
CV.20	Calculation of timely and accurate MO charges and invoicing	1	6			1		2	2	4

Preferred Option

- ◆ MOSL's view is that Option 4b is the most practical option
- ◆ Slightly more complex (it's a two factor metric) than the other options but still a simple approach and underlying logic is understandable
- ◆ Its advantages are:
 - ◆ It prioritises activities that will have the most significant overall impact and ensures all 'high-severity' risks are covered
 - ◆ It helps sort mid-table activities for lighter or heavier-touch application of interventions
 - ◆ It does not require a decision on where to draw the line on risk scores as any with 'high-severity' meet the cut
- ◆ Options one, three don't ensure all 'high-severity' risks are covered
- ◆ Option 2 doesn't ensure activities with the most significant impact are prioritised (deprioritises activities with multiple medium and lower scoring risks)

Other considerations

Based on this illustrative example the difference in the practical outcome between options two, three and four are limited. However, this may change as the risks evolve or as the risk mapping changes or as new activities are added, e.g., split into two, or removed, e.g., where natural and / or regulatory incentives apply

The scoring gives us a first view of prioritisation, aiding identification of:

- ◆ Those activities that are very important (big ticket activities) that the MPF should focus on
- ◆ Those that are important but less critical
- ◆ Those that are not material

We won't apply interventions on all activities, e.g., where the activity is not material

Judgement may be required on the cut-off for each of the above categories with an opportunity to move activities between them through, for example, rationalisation i.e., risks are covered by another activity. Both activities could be in scope but we could apply the MPF focus on activity two rather than activity one

Purpose of PAG 05 review - reminder

- 💧 Discuss feedback on our **preferred** option for prioritisation of activities
- 💧 With a view to **Endorse** in PAG 05 (17 August)