

Minutes of the Performance Advisory Group 06

31 August 2022 – 10:00 to 12:00

MEMBERS PRESENT

Chris Dawson	CD	MOSL (Chair)	Adam Boyns	AB	CCW
Emily Jerrome	EJ	Water2Business	Kate Russell	KR	Yorkshire Water
Michael Rathbone	MR	Severn Trent	Richard Varley	RV	Southwest Water
Sarah Scott	SS	Veolia	Trevor Nelson	TN	Business Stream

OTHER ATTENDEES

Adam Richardson	AR	MOSL	Axelle Saada	AS	MOSL
Evan Joanette	EJo	MOSL	Helen Fryer	HF	MOSL (Minutes)
Janet Joss	JJ	MOSL	Neil Pendle	NP	Waterscan
Steve Formoy	SF	MOSL			

APOLOGIES

Adam Smith	AS	Castle Water	Claire Yeates	CY	Waterscan
David Morris	DM	Waterplus	Georgina Mills	GN	Ofwat
Jon Fuller	JF	Wessex Water	John Gilbert	JG	MOSL
Wendy Monk	WM	Wave			

ACTIONS FROM MEETING(S)

NO	Action required	Action by	Action Date
06/01	PAG attendees are asked to confirm if they are unable to attend PAG 09 (12 October) due to the Institute of Water conference taking place	ALL	14/09/22
06/02	Activities linked to risks and outcomes - duplicated activities to be removed once solution is found to reflect that the activities link to more than one strategic panel outcome	MOSL	14/09/22
06/03	Update and send out direct and indirect risks to mapping activity for PAG Pre-reading for Endorsement for PAG 07	MOSL	02/09/22
06/04	PAG 12 (23 November) will be rescheduled to Tuesday 22 November due to the Code Committee meeting taking place	HF	14/09/22

1	Welcome
1.1	The Chair welcomed attendees to the meeting
2	Actions from previous meeting
2.1	<p>05/01 - Re-schedule PAG06 on 31 August to accommodate workshop - CLOSED</p> <p>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 - ONGOING</p> <p>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 - CLOSED</p> <p>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 - CLOSED</p> <p>05/05 - 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 - ONGOING</p> <p>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</p>

3	ENDORSE: Candidate Intervention types
3.1	JJ presented and thanked members for their valuable feedback
3.2	<p>JJ took members through the feedback received together with MOSL’s response. The following points were raised and NOTED:</p> <p>Peer comparison performance (Slide 13)</p> <ul style="list-style-type: none"> • TN said using a proxy in CMOS does not answer whether the activity has been undertaken. If you are stating an activity, you must assess the activity itself and not use proxies. JJ replied, we need to be able to measure things and if we cannot realistically measure then we cannot have an intervention around it and this will come back to looking at the activities, looking at the metrics which are available as part of the design. In some cases, it may be difficult to measure now but as we move through the programme things will evolve <p>Reward/Out-performance payments (Slide 17)</p> <ul style="list-style-type: none"> • TN said that there is not going to be symmetry between out-performance and under-performance, in theory all TPs could perform and therefore there would be no penalties, but we would have to find ‘money’ to reward those who out-perform. These are disassociated with each other. SF agreed, funding would need to be resolved. JJ added that some of the intervention tools inherently will be more challenging <p>Two-way performance (penalty and out-performance) (Slide 19)</p> <ul style="list-style-type: none"> • TN stated that the reputational impact also needs to be considered. AR said that this would be particularly relevant to the compensatory payments – who is the recipient? <p>Education (Slide 21)</p> <ul style="list-style-type: none"> • KR clarified the feedback question she submitted. JJ advised that there may be potential for bespoke training but primarily this relates to training material that would be accessible to TPs that is centrally provided • EJ asked about funding for bespoke training, where would this come from? JJ replied, stating that currently this was only a concept. EJo added that training was a popular option despite no funding at present. SF said that this would be in areas where everyone is incentivised to do the right thing, however training would benefit TPs knowledge • AB asked if the emphasis would be for TPs to recognise where they are not able to meet certain requirements and request training or MOSL to suggest as a way of preventing non-compliance? How would this be applied? AR said that these are types of interventions that could be used for example, new market entrants could have access to training material on complicated parts of the market on a self-service basis. Any TP could use the material to refresh their knowledge. More specific bespoke education, could be used as part of the new MPF to support TPs

	<p>Compensatory payments (Slide 29)</p> <ul style="list-style-type: none"> TN asked for clarity stating that he assumed this was for low level breaches and not dispute territory level. JJ responded, yes, it was likely that most TPs would already be aware of what the penalty would be for non-delivery of low-level breaches anyway. SF added that it would be too complicated and complex to feed a dispute into the MPF
3.3	The Performance Advisory Group ENDORSED the candidate invention types
4	INTRODUCE: Focus areas of MPF (Reflecting risk scores and natural/regulatory incentives & business incentives initial feedback)
4.1	<p>JJ presented; the following points were introduced to members and discussed in detail:</p> <ul style="list-style-type: none"> Recap of methodology Feedback on Business incentives to be presented back to members at PAG 07 (14 September) Initial findings on impact of natural and regulatory incentives Focus on MPF summary Top 10 Activities on current list (prior to workshop)
4.2	<p>SF pointed out that reflecting on the workshop held earlier on risk mapping, if we end up with a view of just direct risks and issues being mapped to activities, that will help give a potentially different view as you would have a longer list of activities that do not map directly to a high rated risk or issue. That does not necessarily mean that everything else would be ‘de-prioritised’ but it is a more useful way of starting to prioritise the next steps effectively</p>
4.3	<p>The following points were raised and NOTED:</p> <ul style="list-style-type: none"> TN said that he was aware that he came back to this point every time, but we have agreed that some of the activities that have been left in will almost certainly fall out because they do not form part of a competitive market, so will these be taken out now or will we continue to map these across. To take these out early would be the right thing to do, enabling time and resource to focus on those that will stay. JJ said that we are looking at the alignment piece that was discussed at the workshop and seeing the results as to where the activities sit before further wider discussion takes place. AR replied that we need to think very carefully before we go out to TPs for consultation in the next month. It was important to ensure we do not remove activities too soon, the same applies to the interventions KR asked if the duplicates on the Top 10 activity list would be removed. JJ responded, effectively they are the same activities but are repeated on the list due to feeding into 2 strategic outcomes, the right thing to do will be to remove those but we need to find a way

	to reflect that the activities link into more than one strategic panel outcome Action Point: 06/02
4.4	<p>Activities linked to risks and outcomes</p> <p>AS presented an updated summary table following feedback from the workshop which showed the tentative prioritised list of activities to focus on.</p> <p>The Chair advised that he would not be seeking endorsement from PAG members at this stage but asked members to provide an indication as to whether this was the right direction of travel</p> <p>The Performance Advisory Group AGREED on the approach being undertaken</p> <p>The Chair advised members that the Activities linked to risk and outcomes would be sent as pre-reading prior to PAG 07 with a view to members endorsing at the PAG 07 meeting Action Point: 06/03</p> <p>The Chair thanked members for their time and the consideration they had given to completing this exercise which is appreciated by MOSL</p>
5	Any other business
5.1	PAG attendees are asked to confirm if they are unable to attend PAG 09 (12 October) due to the Institute of Water conference taking place. Action Point: 06/01
5.2	PAG attendees are asked to NOTE that PAG 12 (23 November) will be rescheduled to Tuesday 22 November due to the Code Committee meeting taking place. Action Point: 06/04
5.3	The Chair thanked everyone for their attendance and closed the meeting