

## Minutes of the Performance Advisory Group 07

14 September 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
Jon Fuller	JF	Wessex Water	Richard Varley	RV	Southwest Water
Wendy Monk	WM	Wave	David Morris	DM	Waterplus

### OTHER ATTENDEES

Adam Richardson	AR	MOSL	Axelle Saada	AS	MOSL
Evan Joanette	EJo	MOSL	John Gilbert	JG	MOSL
Janet Judge	JJ	MOSL	Georgina Mills	GN	Ofwat
Steve Formoy	SF	MOSL	Neil Pendle	NP	Waterscan
Ben Gough	BG	PwC	Elena Vaccarino	EV	PwC

### APOLOGIES

Andrew Smith	AS	Castle Water	Claire Yeates	CY	Waterscan
Trevor Nelson	TN	Business Stream	Michael Rathbone	MR	Severn Trent
Sarah Scott	SS	Veolia			

## ACTIONS FROM MEETING(S)

NO	Action required	Action by	Action Date
07/01	Send new calendar invite for rescheduled PAG12	CD	28/09/22
07/02	Rename work component C9 as “Activities to be considered for the MPF”	AS	28/09/22
07/03	Share recording of PAG08 with EJ	CD	30/09/22
01/04	Ensure customers have an opportunity to engage in consultations as the MPF programme progresses (consultations currently anticipated to begin in late September)	MOSL	10/10/22

<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>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 – <b>NONE RECEIVED</b></p> <p>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 - <b>COMPLETED</b></p> <p>06/03 - Update and send out direct and indirect risks to mapping activity for PAG Pre-reading for Endorsement for PAG 07 - <b>COMPLETED</b></p> <p>06/04 - PAG 12 (23 November) will be rescheduled to Tuesday 22 November due to the Code Committee meeting taking place - <b>COMPLETED</b></p>
<b>3</b>	<b>Review progress to date</b>
3.1	The Chair summarised the programme journey to date.
<b>4</b>	<b>ENDORSE: Activities linked to risks and outcomes</b>
4.1	AS took members through the feedback received together with MOSL’s response. The following points were raised and <b>NOTED</b> :

	<ul style="list-style-type: none"> <li>In response to one of the comments received in writing, the chair clarified that the approach of mapping direct and indirect risks to activities was agreed at PAG06.</li> <li>GM questioned whether highlighting that a risk is indirect was helpful as a Trading Party might still have a large influence on the mitigation of the risk, if not total control. AS answered that the concept of direct and indirect risks is not based on the level of influence or responsibility that can be attributed to a Trading Party for a given risk, but a way of assessing how impactful the completion of a given activity can be in mitigating market risks and achieving the strategic market outcomes. It was also noted that if a risk was not directly addressed by any activity, then looking at indirect links could help ensure the risk is mitigated overall.</li> <li>It was also noted that the output of this mapping is always going to be subject to discussion, and that it can be changed at a further point, especially after we receive industry feedback through consultation.</li> </ul>
4.2	The Performance Advisory Group <b>ENDORSED</b> the activities linked to risks and outcomes.
<b>5</b>	<b>DISCUSSION: Business incentives</b>
5.1	<p>BG and EV presented their assessment of the business incentives that were suggested in writing by PAG members; the following points were raised:</p> <ul style="list-style-type: none"> <li>Business incentives are commercial incentives that will drive a firm to minimize its costs and maximise its benefits.</li> <li>Overall, the responses did not demonstrate a consistent and compelling case that the existence of business incentives alone are sufficient to drive the required behaviour for the Activities</li> </ul>
5.2	<p>GM noted that this exercise assessing whether business incentives were effective at driving the right behaviour was very helpful, and that the findings sounded sensible.</p> <p>It was also noted that any evolution of the business incentives should be covered by an analysis on natural incentives. The appropriate intervention types will depend on those natural incentives (including business incentives) and ensure that they strengthen them when possible.</p>
<b>6</b>	<b>ENDORSE: Activities to be covered by MPF</b>
6.1	<p>JJ took members through the feedback received together with MOSL’s response. The following points were raised and <b>NOTED</b>:</p> <ul style="list-style-type: none"> <li>GM agreed with MOSL’s view that it would be better to keep all activities in the list until the consultation is done to ensure the industry has a full view of what is being considered. It is also important to highlight the prioritisation method in the consultation.</li> </ul>

	<ul style="list-style-type: none"> <li>CV.15 could be considered for inclusion in the MPF despite being low in the prioritisation as new connections represent a small part of the market each year but are crucial for data quality of the SPID for its whole lifecycle.</li> <li>The activities in the bottom section could become part of the MPF at a later stage once the activities that are above in the prioritized list have been looked at.</li> <li>The final prioritisation may change after consultation.</li> <li>The list should be renamed “Activities to be considered for the MPF” as not every activity in the top list will necessarily be incentivised with an MPF tool since some activities may not be appropriate for incentivisation or some incentives may sit better in other frameworks (e.g. CPCoP).</li> </ul>
6.2	The Performance Advisory Group <b>ENDORSED</b> the activities to be considered for the MPF.
<b>7</b>	<b>INTRODUCTION: Process for candidate metrics</b>
7.1	AS presented; the following points were introduced to members: <ul style="list-style-type: none"> <li>Two main levels of metrics: activity-level to measure completion of activities – can be used in intervention tools; and outcome-level to measure the achievement of market outcomes – can be used to assess effectiveness of MPF.</li> <li>The PAG will be presented a list of metrics at PAG08 and PAG09 including an initial assessment of costs and suitability.</li> </ul>
<b>8</b>	<b>INTRODUCTION: Process for candidate tools</b>
8.1	<b>EJo</b> presented; the following points were introduced to members: <ul style="list-style-type: none"> <li>For each activity, a potential tool will be considered for each intervention type and then this long list will be refined by assessing the suitability of each tool to incentivise any given activity. The suitability will be assessed using the CFI principles.</li> <li>The PAG will be presented a list of tools that can be used to incentivise each activity.</li> </ul>
<b>9</b>	<b>Any other business</b>
9.1	The chair noted that there will be no pre-reading and no endorsement requirement for PAG08 as it will be a meeting used to walk PAG members through some material.
9.2	GM highlighted that everything the PAG endorses at PAG09 will be conditional on the consultation outcome.
9.3	The Chair thanked everyone for their attendance and closed the meeting.

