

Market Performance Framework

Performance Advisory Group – PAG08

28 September 2022

Agenda

1	Welcome	Chair	5 Mins
2	Actions from previous meeting	Chair	5 Mins
3	Review Progress to date	Chair	5 Mins
4	Process for candidate metrics	Axelle Saada	45 Mins
5	Process for candidate tools	Elena Vaccarino	30 Mins
6	MPF Consultation	James Higgins	25 Mins
7	Any Other Business	Chair	5 Mins

Agenda

1	Welcome	Chair	5 Mins
2	Actions from previous meeting	Chair	5 Mins
3	Review Progress to date	Chair	5 Mins
4	Process for candidate metrics	Axelle Saada	45 Mins
5	Process for candidate tools	Elena Vaccarino	30 Mins
6	MPF Consultation	James Higgins	25 Mins
7	Any Other Business	Chair	5 Mins

Actions from Previous Meeting (1 of 1)

NO	Action required	Action by	Action Date
07/01	Send new calendar invite for rescheduled PAG12 Complete	CD	28/09/22
07/02	Rename work component C9 as “Activities to be considered for the MPF” Complete	AS	28/09/22
07/03	Share recording of PAG08 with EJ Open	CD	30/09/22
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 Complete (see slide 5)	JJ	28/09/22
01/04	Ensure customers have an opportunity to engage in consultations as the MPF programme progresses (consultations currently anticipated to begin in late September) Open	MOSL	10/10/22

Actions 04/01

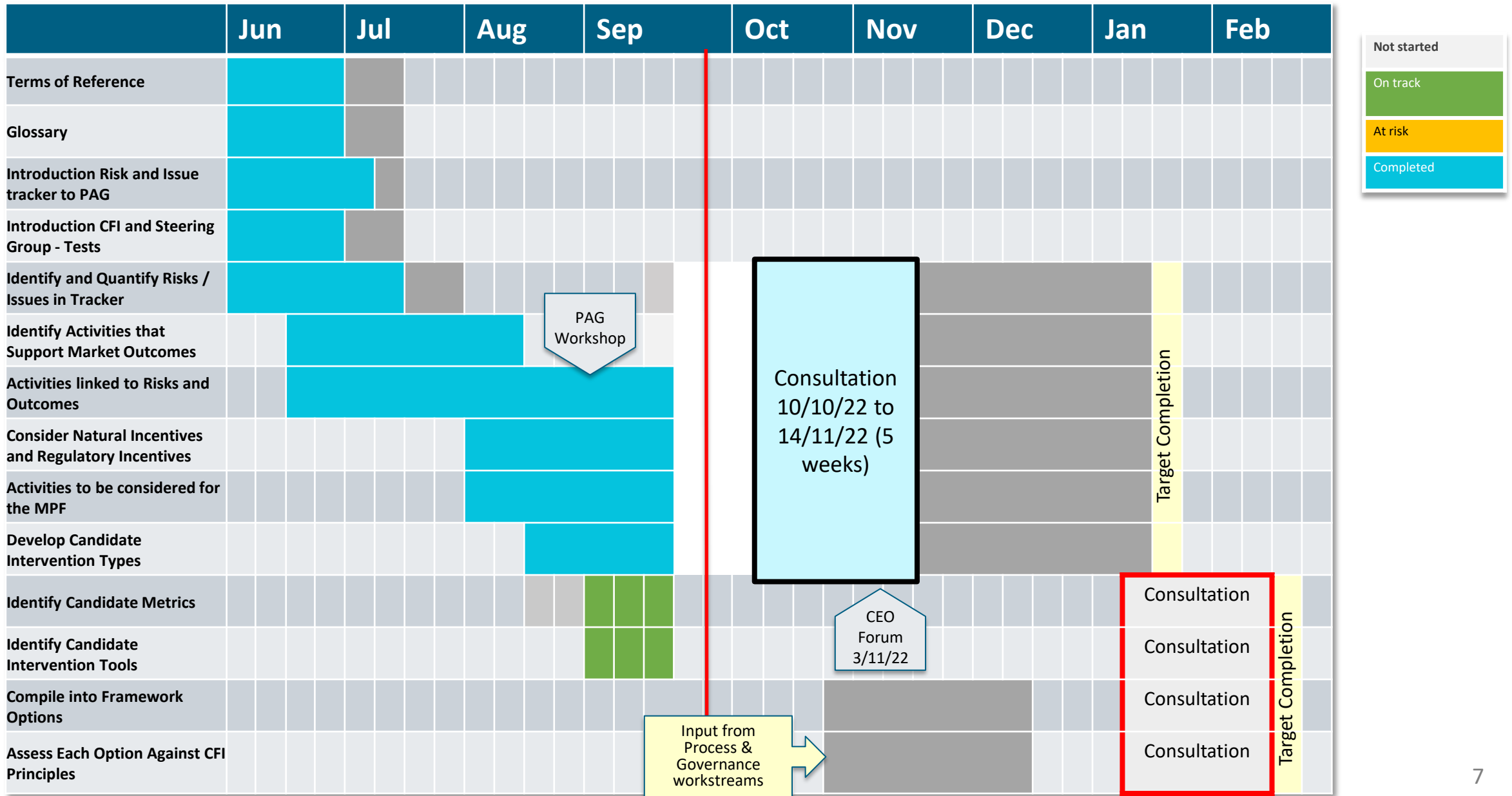
- ◆ New root cause added to solve raised issue form PAG member
- ◆ Added below highlighted as a root cause to issue CSE017

Issue / Risk No	Issue / Risk	Root causes
CSE017	Confusion derived from customers having different Retailers for water and sewage for one SPID	Customers are unsure which Retailer they should be talking to with regards issues causing confusion and delays in handling queries
		Disagreement between Retailers about who should resolve an issue causing confusion or delays for Wholesalers and the customer
		Retailers having to work together to resolve issues but working to different policies and processes creating confusion and delays for Wholesalers and the customer
		Different levels of service received from both Retailers causing confusion and disruption for the customer and Wholesaler
		Sewerage retailer resolves issue but cannot action as only the water retailer has CMOS rights

Agenda

1	Welcome	Chair	5 Mins
2	Actions from previous meeting	Chair	5 Mins
3	Review Progress to date	Chair	5 Mins
4	Process for candidate metrics	Axelle Saada	45 Mins
5	Process for candidate tools	Elena Vaccarino	30 Mins
6	MPF Consultation	James Higgins	25 Mins
7	Any Other Business	Chair	5 Mins

Review Progress to date (1 of 1)



Agenda

1	Welcome	Chair	5 Mins
2	Actions from previous meeting	Chair	5 Mins
3	Review Progress to date	Chair	5 Mins
4	Process for candidate metrics	Axelle Saada	45 Mins
5	Process for candidate tools	Elena Vaccarino	30 Mins
6	MPF Consultation	James Higgins	25 Mins
7	Any Other Business	Chair	5 Mins





Process for candidate metrics (1 of 6)

- 💧 Today's focus: activity-level metrics
- 💧 We have created a **longlist** of metrics for each activity
- 💧 For each metric we have determined
 - 💧 Whether this metric could be measured for different consumption bandings
 - 💧 Whether this metric could be measured for different geographical regions
 - 💧 A suitability RAG rating*
 - 💧 A cost RAG rating*
- 💧 Some of these metrics may be aggregated in order to form the basis of interventions





*These are indicative at this stage and will be refined as we progress

Process for candidate metrics (2 of 6)

Colour code for **suitability**

	Is a good measure of the activity completion
	Could be a proxy if combined to other metrics
	Gives some elements to assess the success of the activity
	Has a link with the activity

Colour code for **cost**

	Low - metric already exists
	Medium - metric does not exist currently but necessary data can be obtained easily
	Medium - metric doesn't exist and the data exists but would require more complex or manual work to compile into the metric
	High - Third Party systems/process dependent or would require significant intervention from CGI

Process for candidate metrics (4 of 6)

Activities and Behaviours	Metrics	Suitable for consumption banding?	Suitable for geographical cut?	Suitability	Cost
GS.9: Wholesalers efficiently maintain working/functioning assets, including meters which must be working accurately and be readable	Number of B5s raised (meter repair/replace) for that wholesaler and timeframe of resolution (could include other B processes like installation and accuracy testing)	Yes	Yes	Green	Yellow
	CCW complaints data	No	No	Orange	Orange
	Customer enquiries and customer complaints (F processes) bilats data	Yes	Yes	Yellow	Green
	LUMs, LLUMs, MPS	Yes (read history), no, yes	Yes	Yellow	Green
	USRs and settlement accuracy (including % actual reads at R1, R3 and RF)	No	Yes	Orange	Yellow
	% smart vs dumb meters	Yes	Yes	Yellow	Yellow
	R-Mex - overall service	No	Yes	Orange	Green

Process for candidate metrics (3 of 6)

Activities and Behaviours	Metrics	Suitable for consumption banding?	Suitable for geographical cut?	Suitability	Cost
UWE.6: 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 [assumes meter reads have been completed]	Retailer audit - evidence of consumption data on customer bills and clear link between consumption and bill made for the customer	No	Potentially - depends on scope of audit.	Green	Red
	Vacancy reporting	No	Yes	Red	Green
	Completeness of customer name/banner name, SIC codes, etc.	Yes	Yes	Yellow	Green
	CCW complaints - volume of complaints relating to lack/inaccurate consumption data or not clearly based on consumption	No	No	Orange	Orange
	Self-reported retailer complaints relating to lack/inaccurate consumption or bills not clearly based on consumption	Yes	No	Yellow	Orange
	Measure of retrospective accuracy of meter reads and estimates	Yes	Yes	Orange	Orange
	Number of meters that have bilateral tasks raised against them – to nuance retailer responsibility	Yes	Yes	Orange	Green
	Measure of meter reads (MPS, LUMs)	Yes	Yes	Yellow	Green
	Settlement accuracy	No	Yes	Orange	Yellow

Process for candidate metrics (5 of 6)

Activities and Behaviours	Metrics	Suitable for consumption banding?	Suitable for geographical cut?	Suitability	Cost
CV.13: Market participants improve processes to identify gaps sites and bring into charge	R-MeX - Quality of data maintenance and improvement + Level of engagement and support	No	Yes	Orange	Green
	Customer complaints (F5 process) in bilats	Yes	Yes	Red	Green
	Disputes data - volume of disputes regarding gap sites	No	Yes	Orange	Yellow
	Gap Sites identified by wholesaler and Application for Gap Sites proposed by retailer (C2 and C3) - timescales in bilats hub	Yes	Yes	Green	Green
	Time to get completeness of customer name data after gap site created	Yes	Yes	Green	Yellow
	Time to get UPRN & VOA completeness after gap site created	Yes	Yes	Green	Yellow
	Measure timeliness and occupancy status of registered gap sites	No	Yes	Yellow	Yellow
	Occupancy performance of trading parties for gap sites.	No	Yes	Yellow	Yellow
	Vacancy Dashboard metrics	No	Yes	Orange	Green
	How long ago was it back dated compared date of identification of gap site	No	Yes	Green	Yellow
	Timeliness of T107.W (Notification of Connection Complete) for Gap Sites (MPS 5)	No	Yes	Green	Green

Process for candidate metrics (6 of 6)

Next steps

- ▶ PAG members will receive a document listing all metrics for activities that were endorsed as “to be considered by the MPF”
- ▶ This will include any feedback received today
- ▶ We will ask for feedback on the **candidate** metrics with a view to endorse the document at PAG09

Agenda

1	Welcome	Chair	5 Mins
2	Actions from previous meeting	Chair	5 Mins
3	Review Progress to date	Chair	5 Mins
4	Process for candidate metrics	Axelle Saada	45 Mins
5	Process for candidate tools	Elena Vaccarino	30 Mins
6	MPF Consultation	James Higgins	25 Mins
7	Any Other Business	Chair	5 Mins

Process for candidate tools (1 of 10)

Today we'll cover:

- 💧 The context of our assessment
- 💧 Our approach
- 💧 An example
- 💧 Summary of our findings
- 💧 Conclusions

Process for candidate tools (2 of 10)

The context

Our assessment was based on Activities, interventions and metrics. While **the list of activities and interventions has been endorsed by the PAG**, the list of metrics is still preliminary.

Activity

- An Activity is defined as the company's behaviour necessary to achieve one or more of the Market Outcomes set by MOSL within the MPF2 framework.
- An Activity covers **wholesalers** and / or **retailers** who participate in the NHH water market

Final list of activities approved in **PAG 07**

Intervention

Interventions refer to the intercession of the Market Operator or Strategic Panel/committee under the provisions of the code to change market participant behaviour so that required outcomes are more likely to be delivered.



The purpose of this exercise is to provide you with an assessment of the longlist of intervention tools and Activities to inform considerations on how Activities could be treated under MPF2.

Metric

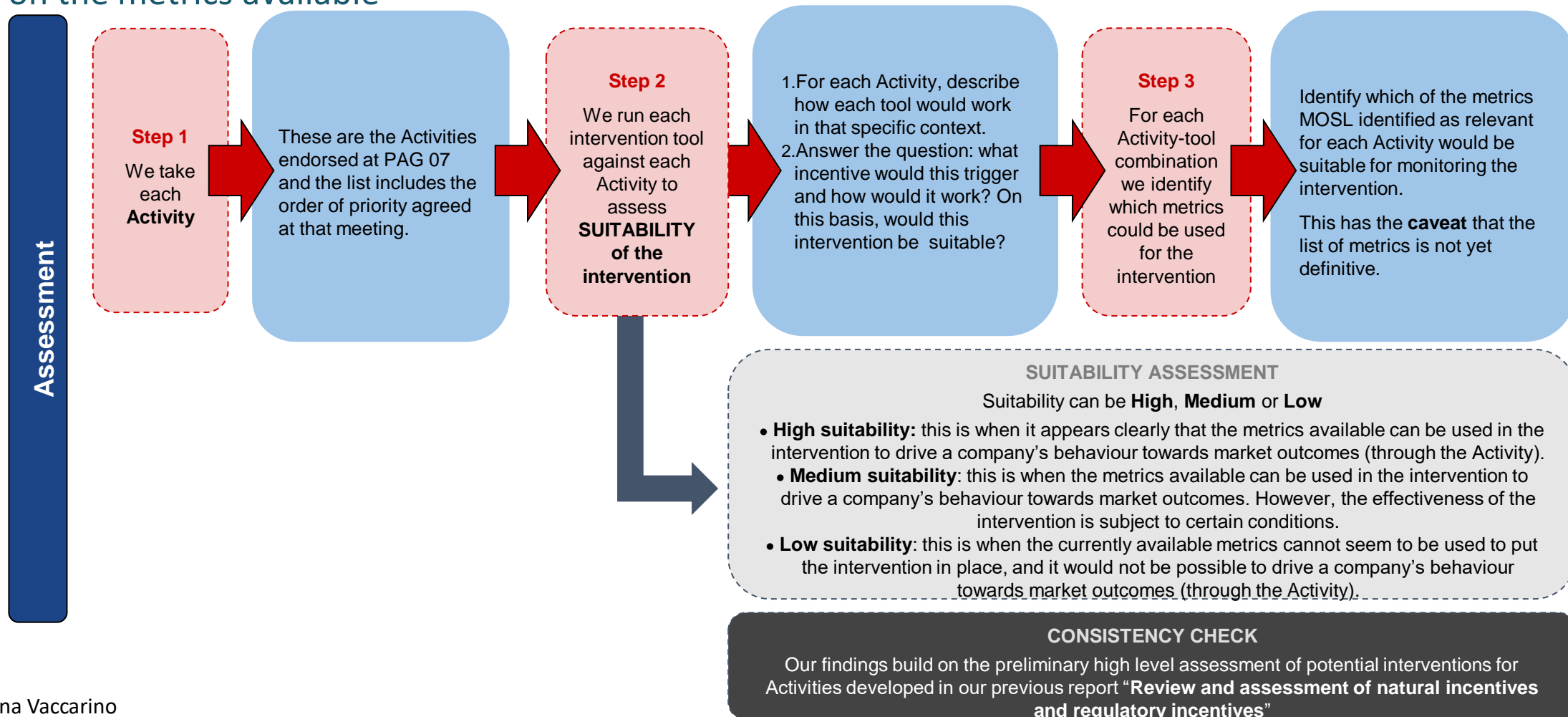
- Metrics are quantitative measures based on inputs and output (or events) and are ideally objective (rather than subjective), but some may provide insight on perception (e.g., customer surveys).
- Metrics should provide information about whether a particular activity or outcome is being delivered.

Metrics for each activity still need to be confirmed

Process for candidate tools (3 of 10)

Our approach

Our assessment followed a 3-steps approach to establish the suitability of each intervention based on the metrics available



Process for candidate tools (4 of 10)

An example

This is how we run our assessment, for each of the activities and each of the intervention tools, considering the preliminary set of metrics provided by MOSL

Rank	Priority	ID	Activities and Behaviours		Reputational	
					Publishing individual performance	Publishing peer comparison
1	Top	CV.3	CV.3: Wholesaler to make sure that CMOS is regularly updated with good quality asset and premises data (Duplicate of UWE.3 - Improve Water Efficiency)	Tool	Wholesalers required to publish metrics indicating how completely and accurately they update CMOS customer and consumption data. Metrics used and baseline performance levels against these metrics to be determined by MOSL and reviewed periodically. Potentially relevant metrics: Number of YVEs in the system and how often are they updated; date of last data item update for retailer-owned transactions.	Wholesalers required to publish metrics indicating how completely and accurately they update CMOS customer and consumption data. Metrics used and baseline performance levels against these metrics to be determined by MOSL and reviewed periodically. These are to then be compared against other wholesalers to give a relative performance score. Potentially relevant metrics: Number of YVEs in the system and how often are they updated; date of last data item update for wholesaler-owned transactions.
1	Top	CV.3		Suitability	Low Customers may have trouble interpreting the consequences of poor performance on them directly. In addition, given wholesalers operate as regional monopolies, customers do not get to switch wholesaler based on their preferences. Retailers can't switch wholesalers in the regions they operate, they can only choose to stop operating in a region if they don't like the wholesaler. Therefore, this intervention is likely to be ineffective and have a low suitability.	Low Customers may have trouble interpreting the consequences of poor performance on them directly. In addition, given wholesalers operate as regional monopolies, customers do not get to switch wholesaler based on their preferences. Retailers can't switch wholesalers in the regions they operate, they can only choose to stop operating in a region if they don't like the wholesaler. Therefore, this intervention is likely to be ineffective and have a low suitability.
1	Top	CV.3		Rationale		

We assessed Activities in order of priority from top to bottom.

We have provided a description of how the intervention tool would work for each Activity and indicated a set of potentially relevant metrics, based on the preliminary list shared by MOSL.

Based on the metrics, the Activity and the tool in question we assessed suitability, providing a rationale for our judgment.

All our findings should be considered as a starting point, to be refined by MOSL as metrics get confirmed and the MPF Reform programme enters in the Design phase.

Process for candidate tools (5 of 10)

Summary: Value Creation Activities

Below we summarise our findings on the interventions suitability for each activity

Activity	Description	Summary
CV.3/ UWE.3	Wholesaler to make sure that CMOS is regularly updated with good quality accurate asset and premises data including assessing eligibility for the market and timely deregistration of premises not eligible where appropriate	<ul style="list-style-type: none"> • Compulsory audit used as a reputational and compliance incentive could be very effective. • Monitoring programme and education might not be sufficient but they can be used to change the status quo for the worst performers in the market. • Limitation of services is key, in particular as CMOS gains traction and its usability in the market improves
CV.2/ UWE.2	Retailers to make sure that CMOS is regularly updated with good quality customer & consumption data [Assumes meter reads have been completed]	<ul style="list-style-type: none"> • A financial incentive through an underperformance penalty is important for dealing with inertia. • Reputational incentivisation through publishing, audit and assurance could be of value. • Education and monitoring/escalation are suitable interventions but not sufficient to drive performance to the extent needed. • Sanctioning retailers through exclusion from CMOS data should be very effective.
CV.4	Retailers to provide product details and prices clearly to customers	<ul style="list-style-type: none"> • Additional metrics and audit/assurance should create an effective compliance incentive. • Rectification monitoring will be effective in correcting the worst performers. • Financial incentives would not work due to challenges in quantification.
CV.6	Retailers to provide sufficient level of actual meter reads to ensure accurate consumption data (giving accurate settlement and customer billing)	<ul style="list-style-type: none"> • Underperformance payments would work well as they can be quantified • Audit would create both a compliance and a reputational incentive. • Compensatory payments would serve as a useful corrective measure. • Reputational incentives only relevant in the case of considerable errors.

Process for candidate tools (6 of 10)

Summary: Water Efficiency activities

Below we summarise our findings on the interventions suitability for each activity

Activity	Description	Summary
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	<ul style="list-style-type: none"> • Financial incentives through payments (underperformance and two-way) would be effective in influencing wholesalers behaviour because it is not yet clear how much customers are engaged on this topic; • Audit would enhance the reputational incentive generated by publishing, and it would also add a compliance incentive; • Sanctioning through licence removal would be a tough punishment but it would ensure that meter technology meets the standards set by MOSL.
UWE.4	Retailers facilitate the provision of timely and accurate consumption data to customers [assumes meter reads have been completed]	<ul style="list-style-type: none"> • An effective reputational incentive could be achieved through peer comparison; • Reputational incentive could be enhanced by introducing the obligation to perform audit/assurance, which also introduces a compliance incentive; • Finding new metrics for this activity could help making other incentives effective, but this has the caveat new metrics could be difficult to find; • Given the lack of measurability, financial incentives would hardly be suitable.
UWE.5	Market participants work collaboratively to share and utilise additional data (e.g. wholesaler meter reads, SIC) to ensure accurate (consumption) data is made available to facilitate efficiency offerings to customers	<ul style="list-style-type: none"> • Education has the potential to work well as not all participants might be aware of the benefits of collaboration; • Finding new metrics for this activity could help making other incentives effective, but this has the caveat new metrics could be difficult to find; • Denying participants to benefit from efficiency gains from collaboration could be effective as a sanction, but very complicated to implement.

Process for candidate tools (7 of 10)

Summary: Customer Service Excellence Activities

Below we summarise our findings on the interventions suitability for each activity

Activity	Description	Summary
GS.9	Wholesalers efficiently maintain working/functioning assets, including meters which must be working accurately and be readable	<ul style="list-style-type: none"> • Financial incentives appear suitable as there are metrics that allow to measure gradual changes in the level of the activity (i.e. changes in the level of asset health); • Audit/assurance would work well as it would generate both a reputational and a compliance incentive for the wholesaler; • A corrective measure such as a close monitoring programme could deliver the desired outcomes, by being tailored and specific for the wholesaler in question.
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)	<ul style="list-style-type: none"> • Audit is a suitable corrective measure as it would work both as a reputational and compliance incentive; • A corrective measure such as a close monitoring programme could deliver the desired outcomes, as it would ensure retailers meet the minimum standard.
GS.3	Retailers resolve complaints in a timely and efficient way	<ul style="list-style-type: none"> • An effective reputational incentive could be put in place by introducing the requirement to regularly publish performance, even more if this includes a peer comparison; • Two way payments could work well as a financial incentive but it might be difficult to link the level of performance to the amount of the penalty/reward; • Other detective measures that are highly suitable involve finding an additional metric and introducing audit and assurance; • A corrective measure such as a close monitoring programme would ensure retailers meet the minimum standard in resolving complaints.

Process for candidate tools (8 of 10)

Recommendations

- 💧 We suggest rerunning the assessment for the top and middle priority Activities as the metrics are developed further
- 💧 Once the activities are shortlisted, we suggest conducting a more detailed assessment on how the most suitable tools would work, including interactions between them
- 💧 We see this **suitability** assessment as a first step, followed by a second step where we identify **appropriate intervention tools**

Process for candidate tools (9 of 10)

Next steps

- ▶ PAG members will receive a document listing all intervention tools for the top activities on the prioritised list of activities endorsed as “to be considered by the MPF”
- ▶ This will include any feedback received today
- ▶ We will ask for feedback on the **candidate** intervention tools for these top activities with a view to endorse at PAG09

Agenda

1	Welcome	Chair	5 Mins
2	Actions from previous meeting	Chair	5 Mins
3	Review Progress to date	Chair	5 Mins
4	Process for candidate metrics	Axelle Saada	45 Mins
5	Process for candidate tools	Elena Vaccarino	30 Mins
6	MPF Consultation	James Higgins	25 Mins
7	Any Other Business	Chair	5 Mins

MPF Consultation (1 of 4)

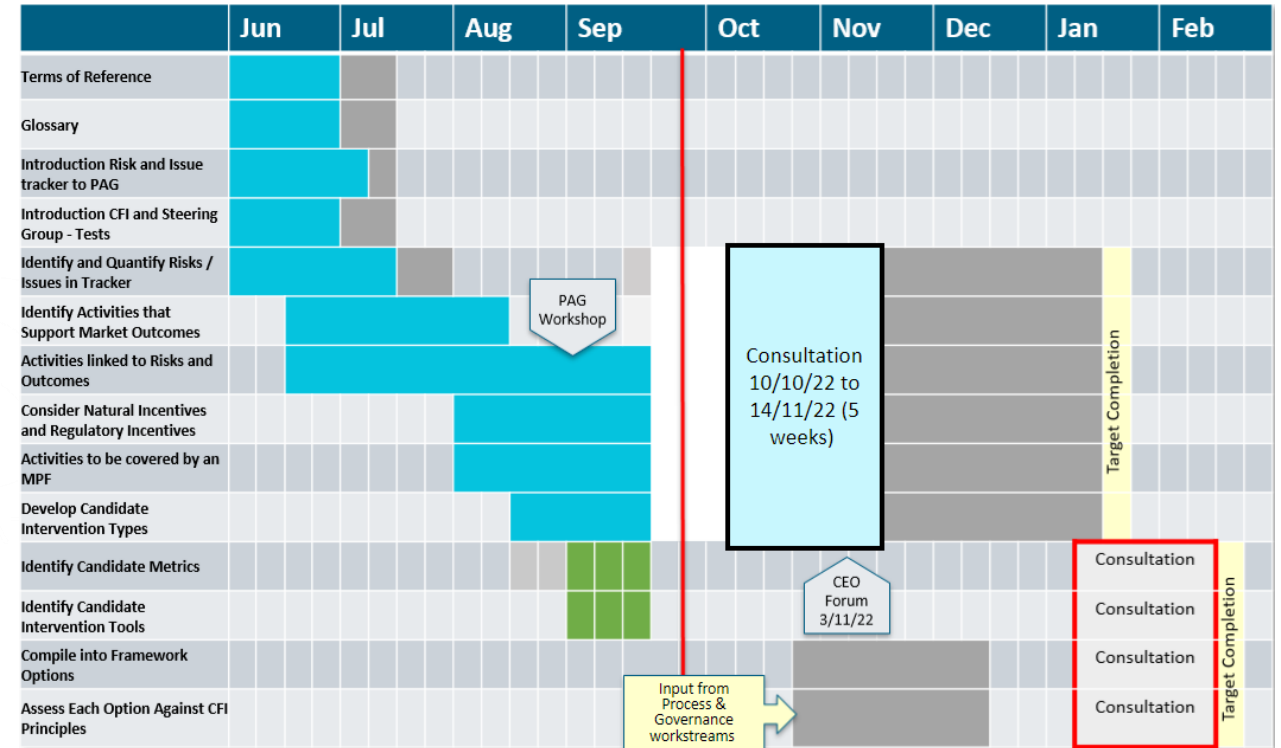
Rationale

- ◆ First opportunity for industry-wide engagement
 - ◆ Will be follow-up opportunity for another consultation
- ◆ Build common position with market on:
 - ◆ Activities that support market outcomes and mapping to risks
 - ◆ Activities considered by an MPF + prioritisation
 - ◆ Scope and extent of types of interventions
- ◆ Create the mandate to move onto further phases

Consultation and Next Steps (2 of 4)

When?

- 💧 Consultation period moved back by 2 weeks
- 💧 Starting on 10 October for five weeks
- 💧 Conscious that trading parties will be responding to the REC review consultation in September and early October



Consultation and Next Steps (3 of 4)

- Engagement and consultation format through webinars alongside the opportunity for written responses
- Opportunity for webinar input to feed into further engagement at the CEO forum on the Thursday 3 November

10-Oct	11-Oct	12-Oct	13-Oct	14-Oct		17-Oct	18-Oct	19-Oct	20-Oct	21-Oct		24-Oct	25-Oct	26-Oct	27-Oct	28-Oct
M	T	W	T	F		M	T	W	T	F		M	T	W	T	F
Launch			Intro webinar						Webinar 1						Webinar 2	

31-Oct	01-Nov	02-Nov	03-Nov	04-Nov		07-Nov	08-Nov	09-Nov	10-Nov	11-Nov	
M	T	W	T	F		M	T	W	T	F	
	Webinar 3		CEO Forum							Close	

Consultation and Next Steps (4 of 4)

Proposed content	Material readiness at consultation time	For information or feedback
CFI success factors	Completed	Information
Risk and issues tracker	Completed	Information
Activities that support market outcomes	Completed	Feedback
Activities and risk mapping	Completed	Feedback
Natural and Regulatory incentives	Completed	Information
Activities considered by an MPF + prioritisation	In progress	Feedback
Intervention Types	Completed	Feedback
And possible subsequent consultation...		
Candidate metrics	In progress	N/A
Intervention tools	In progress	N/A
Next step (implementation plan e.g. quick wins, stop doing)	Upcoming	N/A

Agenda

1	Welcome	Chair	5 Mins
2	Actions from previous meeting	Chair	5 Mins
3	Review Progress to date	Chair	5 Mins
4	Process for candidate metrics	Axelle Saada	45 Mins
5	Process for candidate tools	Elena Vaccarino	30 Mins
6	MPF Consultation	James Higgins	25 Mins
7	Any Other Business	Chair	5 Mins

Any Other Business

Chair
12:00

Future meetings (1 of 1)

Meeting Date	Discussion / Introductions / Endorsements
PAG 09 – 11 Oct	Endorsement - Candidate tools & metrics / Process & Governance
PAG 10 – 26 Oct	Endorsement - Candidate tools & metrics
PAG 11 – 9 Nov	Endorsement - Candidate tools & metrics / Assess Framework against CFI principles
PAG 12 – 22 Nov*	Framework option compiled