

Minutes of the Performance Advisory Group 08

28 September 2022 – 10:00 to 12:00

MEMBERS PRESENT

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

OTHER ATTENDEES

Adam Richardson	AR	MOSL	Axelle Saada	AS	MOSL
Evan Joanette	EJo	MOSL	Georgina Mills	GN	Ofwat
James Higgins	JH	MOSL	Neil Pendle	NP	Waterscan
Steve Formoy	SF	MOSL	Elena Vaccarino	EV	PwC
Ben Gough	BG	PwC			

APOLOGIES

Andrew Smith	AS	Castle Water	Claire Yeates	CY	Waterscan
Emily Jerrome	EJ	Water2Business			

ACTIONS FROM MEETING(S)

NO	Action required	Action by	Action Date
08/01	MOSL to provide feedback and updates from the other governance tiers to the PAG	CD	12/10/22
08/02	Share recording of PAG08 with CY as well as EJ - Completed	CD	05/10/22

1	Welcome
1.1	The Chair welcomed attendees to the meeting
2	Actions from previous meeting
2.1	<p>07/01 - Send new calendar invite for rescheduled PAG12 – COMPLETED</p> <p>07/02 - Rename work component C9 as “Activities to be considered for the MPF” - COMPLETED</p> <p>07/03 - Share recording of PAG08 with EJ - OPEN</p> <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 - COMPLETED</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) - OPEN</p>
3	Review progress to date
3.1	The Chair summarised the programme journey to date.
4	DISCUSSION: Process for candidate metrics
4.1	<p>AS took members through the work that has been done so far on candidate metrics. AS took members through three examples of activities as preparation for PAG09 pre-reading. The following points were raised and NOTED:</p> <ul style="list-style-type: none"> GM asked if an assessment of the benefits had been run in parallel to the assessment of costs, as costs alone may not enable us to make decisions. MOSL agreed it was not shortlisting anything yet and that it will be easier to see the cost/benefit when metrics are aligned with tools.

	<ul style="list-style-type: none"> • TN asked whether the costs were costs to MOSL, to Trading Parties, to customers? MOSL answered that all costs had been considered in the preliminary cost assessment. • JF questioned whether the metrics were attributable to the activity, and if they were not entirely attributable to the activity, what additional data could we use to separate out the factors and truly measure the completion of an activity and nothing else. MOSL agreed that it was an important question to look at for MPF metrics and that some metrics would be combined to others to achieve that. MOSL also noted that some metrics may be low-level and some may be high-level. Some of the higher level metrics may not be used in intervention tools but they can still be used to assess how the market is performing and how effective the MPF is. • GM asked if the quality of activities under operational standards could be measured or whether we could only measure timeliness, even in the bilateral hub. MOSL confirmed that the bilateral hub now enables us to measure the quality of bilateral tasks. • TN suggested two additional metrics to measure GS.9: average age of the wholesaler’s meters and whether the wholesaler has a meter exchange programme currently underway. It enabled MOSL to clarify that all metrics were being considered at this stage – not only metrics that could be computed from data that MOSL already has access to. • WM flagged that an MIF project was currently investigating meters with zero consumption; the findings of that project could be a metric. • GM asked for a glossary for the metrics to ensure that it is clear what each metric is measuring. • Several members and MOSL colleagues noted that some proxies may be more practical than some metrics which could be costly or against higher principles, like audits.
5	<p>DISCUSSION: Process for candidate tools</p>
5.1	<p>EV took members through the work that has been done so far on candidate metrics.; the following points were raised and NOTED:</p> <ul style="list-style-type: none"> • TN asked whether the interventions on a retailer activity were all going to be directed towards the retailer (despite some wholesaler risks maybe contributing to the failure) and vice-versa. PwC reassured that this was a preliminary stage of assessment and that the tools themselves including who they applied to, what metrics they would be based on, etc. The incentive will only be fully effective if it is applied to a Trading Party that is fully in control of the metric’s performance. • GM noted that there is scope to expand some of the current interventions like reputational reporting as we could require that league tables are put on bills or on a prominent place like on the retailer's website. This could motivate customer switching behaviour. Reputational incentives are different for retailers than they are for wholesalers because you can actually use them to inform customers.

	<ul style="list-style-type: none"> • WM suggested that a possible intervention tool would be for retailers to withhold wholesale charges for a SPID in the circumstances where a wholesaler has failed to deliver what it should. AR agreed as this is a form of compensatory payment (already identified as an intervention type) done through a withholding of charges. • NP noted that some activities (e.g. water efficiency) can be hard to quantify. Perhaps conceptually harder activities should attract positive incentives, rather than punitive ones. EJ acknowledged also that it can be hard for some activities to monitor marginal changes. • DM noted the risk of double jeopardy or duplication of work on certain metrics by different organisations (e.g. CCW). PAG member and guests discussed complaints as an example. PwC and Ofwat noted that this particular example was purely reputational via CCW's reporting at the moment, so giving it more exposure in MPF or a financial level wouldn't classically fall into the definition of double counting.
6	DISCUSSION: MPF Consultation
6.1	<p>JH took members through the consultation structure and timelines. The following points were raised:</p> <ul style="list-style-type: none"> • GM noted that we should make sure there is a golden thread connecting to the Call For Inputs from a year ago. MOSL agreed. • AB asked if the webinars could be shared with non TPs (such as the MEUC or other customer groups). MOSL agreed and encourages CCW to share the webinar links with its customer groups. • Comments from members were favourable on the webinar concept.
7	Any other business
7.1	The chair took members through the high-level agendas for the next meetings.
7.2	The Chair thanked everyone for their attendance and closed the meeting.