

Market Performance Framework

Performance Advisory Group – PAG09

12 October 2022

Agenda

1	Welcome	Chair	5 Mins
2	Actions from previous meeting	Chair	5 Mins
3	Review Progress to date & Feedback on Governance tiers	Chair	5 Mins
4	Endorses Group 2 candidate metrics	Axelle Saada	45 Mins
5	Endorses Group 2 candidate tools	Janet Judge	30 Mins
6	Process & Governance	Adam Richardson	20 mins
7	Any Other Business, upcoming meetings	Chair	5 Mins

Actions from Previous Meeting (1 of 1)

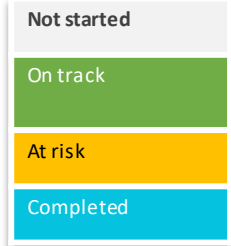
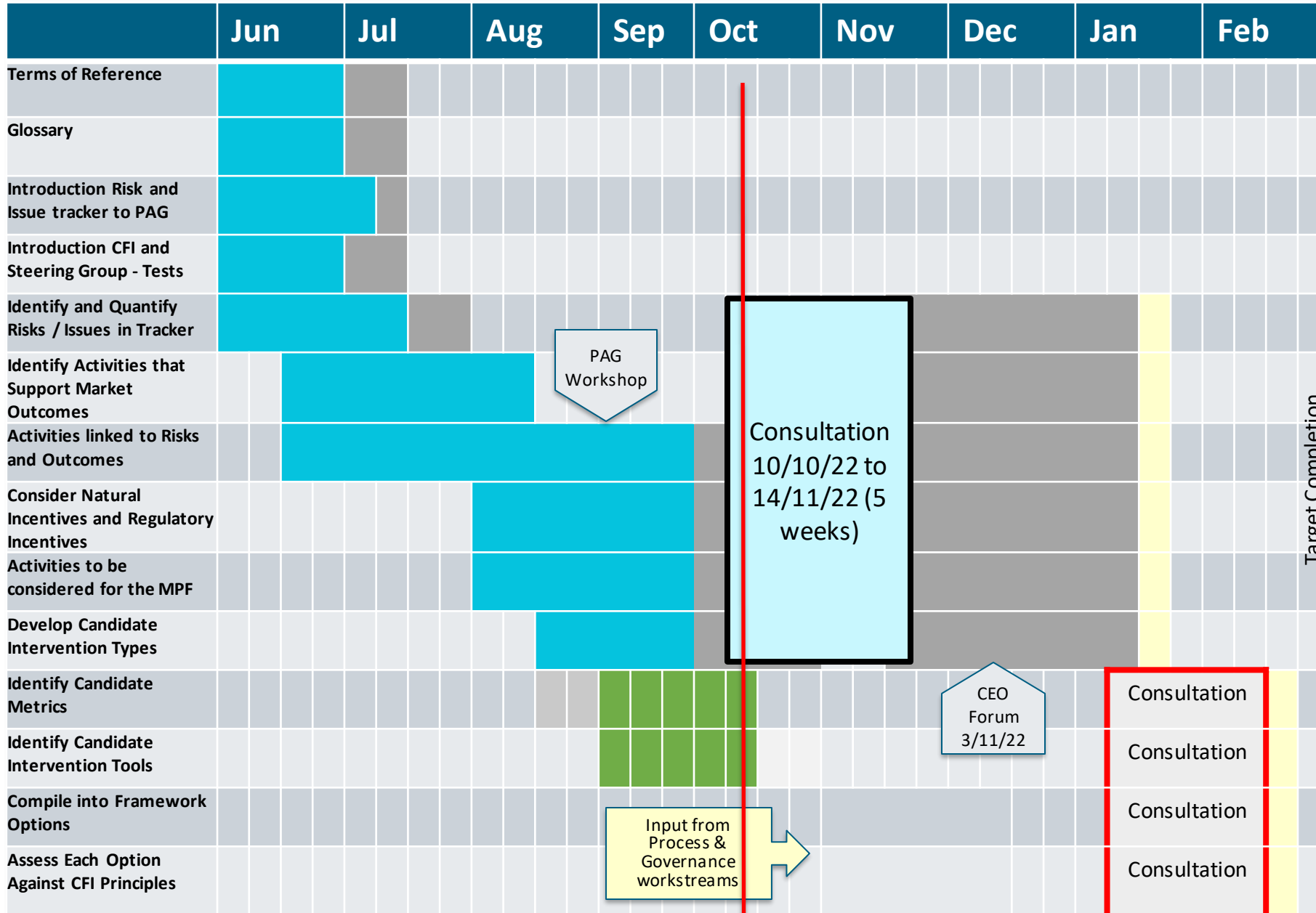
NO	Action required	Action by	Action Date
07/01	MOSL to provide feedback and updates from the other governance tiers to the PAG. Complete Added to ongoing agenda item	CD/EJ	12/10/2022
07/02 & 8/02	Share recording of PAG08 with CY, NP as well as EJ - Completed	CD	12/10/2022
01/04	Ensure customers have an opportunity to engage in consultations as the MPF programme progresses (consultations currently anticipated to begin in late September) Open	MOSL	10/10/22

Minutes and Agenda items can be found -
<https://mosl.co.uk/groups-and-forums/project-groups/performance-advisory-group-pag>

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Review Progress to date (1 of 1)



PAG Workshop

Consultation
10/10/22 to
14/11/22 (5 weeks)

CEO Forum
3/11/22

Input from Process & Governance workstreams

Target Completion

Target Completion

Chair 10:15

Governance Feedback – Steering Group

- Steering group noted the good progress being made and the efforts from PAG members to date.
- A subset of the Steering Group was formed to provide feedback and advice on the forthcoming consultation.

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Candidate metrics – feedback received (1 of 10)

Activity	Comment	MOSL response
CV.4: Retailers to provide product details and prices clearly to customers	Complaint levels do not necessarily highlight concerns about the quality of data provision. A bill could be wrong because the asset is incorrectly stated or the tariff data in CMOS is incorrect. With this in mind, the metrics should include the quality of asset and tariff data in CMOS as well as allowances such as return to sewer. The accountability for this sits firmly with the wholesaler.	Will clarify the metrics
	Additional metrics - Switching rates	Will add as a metric
	To use CCW complaints data as the metric, the complaints data needs to be broken down so that the complaints relate specifically to product details and prices – there’s a category under Billing & Charges called Billing Information / Literature which might be suitable. A step forward in this area would be price comparison services, but the reason these don’t exist is because of the large numbers and complexity of the tariffs, driven by wholesale tariffs. I’m not sure why it wouldn’t be possible to analyse CCW complaints data by consumption banding or why a business customer survey couldn’t identify consumption banding?	Will add details to the "CCW complaints data" metric and allow for consumption banding
	Agree that the CCW/Ofwat business customer survey is a valid metric, but it’s customer research in general that would apply here (they don’t need to be named but would include things like CCW’s Testing the Waters, and any ad hoc research on this topic that CCW and/or Ofwat may do in the future).	Will add as a broader metric
	Self-reported retailer complaints data - volume of complaints relating to bills. My reading of the activity is about the provision of information not about the quality of information on bills. Some retailers will use their websites to communicate about products and prices. If this activity is about the quality of the bill then it should state that.	Bills are just one of the medium through which a retailer can set out their product details and prices. It is why this metric is included but it does not mean this metric covers the entire activity. We will amend the suitability from yellow to orange
	I feel uncomfortable that retailer audit is included. This activity is not a code requirement and sending billing data to MOSL so it can assess compliance to a notional standard feels a significant extension of the role of the market operator. It is also not MOSL’s role to state what is included on a bill.	At this stage, we are trying to compile all possible ways of measuring the completion of an activity. Metrics will be discarded based on suitability, cost, appropriateness and relevance to certain intervention tools at the next stage.
	Business insight survey as a measure. Is suitability RAG based on the current format? Could questions be adapted so suitability is higher (green/ yellow)? Could state of market report be used as well?	It is based on the current format. Should customer surveys prove a good metric for some interventions, we can then work with CCW and Ofwat to ensure the research is fit-for-purpose
	Self-reported retailer complaints data - volume of complaints relating to bills - I'm not sure this is suitable for geographical separation.	Ask for clarification from CCW

Candidate metrics – feedback received (2 of 10)

Activity	Comment	MOSL response
CV.5: Suppliers make customers aware of their ability to switch	When reviewing the Ofwat CCW business customer survey the breakdown was by wholesaler so I am not sure why the “suitable for geographical” cut is marked as a no. Perhaps this is my understanding of what geographical cut means.	Will change geographical cut classification
	Would like clarity on how F bilateral data could help here given how complaints/enquiries needing wholesaler input are unlikely to be about switching, and any information relating to this.	Will clarify the metric - number of wholesaler-raised F4 and F5 which indicate customers not being aware of the market and going to their wholesaler
	Research is a good measure of the level of market awareness, but it does not always give enough insight into why this may not be increasing. More bespoke research asking customers whether they have seen market promotion either on retailer bills/websites/publications would be a good measure of how well retailers are performing this activity.	Will add as a metric
	Retailer audit – How active is their promotion of the market? – could also apply here.	Will add as a possible metric
	Is there the ability to measure on the rejected/objected transfer requests	Not sure but will add as a metric and confirm with our data team
	I disagree with the idea that switching rate is an indication of whether a customer has been informed about switching. A good retailer will retain its customers on merit. This metric will create a perverse incentive ie to avoid an intervention you have to lose customers. Furthermore, a low switching rate is probably more about market economics than a retailer not making customers aware.	At this stage, we are trying to compile all possible ways of measuring the completion of an activity. It does not mean an intervention will be tied to each metric. The switching rates metric will most likely be looked at for the market as a whole.
	CCW & retailer complaints data could also apply. There are some customers who would be motivated to switch (if they knew) after experiencing poor service/complaint handling.	It would be difficult to draw a link between service quality/complaints and lack of switching

Candidate metrics – feedback received (3 of 10)

Activity	Comment	MOSL response
CV.6: Retailers to provide sufficient level of actual meter reads to ensure accurate consumption data (giving accurate settlement and customer billing)	Different water retailer to the sewerage retailer may be an important factor here	Will add as a metric
	Additional metrics - measure the volume of transaction corrections in relation to meter reads	Will add as a metric next to volumes of removed reads
	Billing complaints relating to estimation may be a suitable metric.	Will add as a metric
	Need to exclude estimated Transfer Reads where these can't be read eg schools during school holidays.	Will add this as a "nuance" metric
	Proportion of estimates in R2 or R3 - I think this could be considered for consumption banding cut- the output would be instructive- are smaller customers SPIDs more likely to be settled on and estimate in R2 and R3? what does that tell us about retailer priorities for reading?	Will amend the consumption banding to yes and the cost to orange
	While the quantity of meter reads appears to be covered by the metrics, there don't appear to be metrics associated with the accuracy of the consumption for example: Part of a meter network/deduction meters; Non-market meters; Reliability of the asset to accurately record consumption	This activity measures the retailer taking meter reads - metrics of asset reliability or non-market meters will relate to separate activities (e.g. GS.9)
	LLUM as a measure. Is this a suitable measure for a retailer activity? Or is this a measure that would be used to identify where wholesalers and retailers need to collaborate more?	LLUMs would be measured to be excluded from retailer responsibility.
	Has to focus on what is within the Retailer's control ie where meters can be read but aren't, perhaps to save money, and estimates are being regularly used instead. So LLUMs would need to be excluded and LUMS caused by wholesalers – are these metrics to be used for exclusions?	LLUMs would be excluded. LUMs would require additional metrics to decide which fall under the retailer responsibility (most likely remove the LUMs SPIDs that have a bilateral against them)
	USRs may only be a suitable metric where the reason is an incorrect read provided by a Retailer – there are many other reasons for USRs eg data improvements.	Indeed, which is why suitability of USRs is classed as orange
	LLUMs - Im assuming this is deemed unsuitable due to (relatively) small volumes?	This is due to LLUMs not having any consumption data available in CMOS

Candidate metrics – feedback received (4 of 10)

Activity	Comment	MOSL response
CV.8: Retailers to keep customers informed on query resolution	All proposed metrics focus on complaints, however, the activity is about query resolution which is not the same thing. If this is about complaint resolution the name of the activity should be amended.	Will amend the metrics to focus on queries
	If this is about query resolution the metric should include first contact resolution and failure demand.	Will add as a metric
	Average age of complaints may also be a useful metric	Will add "average age of queries" as metric
	Use of F4/F5 as measures. How would these be used in this context? Currently F4s are non-OPS reportable so would this need to change?	We would use bilateral hub's data
	the wording of the activity implies that the focus is on whether or not the retailer is keeping the customer updated, rather than whether they are resolving the actual issue within a reasonable timescale. If the wording is intended as written, F4 & F5 bilaterals insight may be more limited as the retailer does not necessarily need the wholesaler to be providing substantive responses to be able to update the customer.	That's correct which is why the suitability for F4 and F5 is red - there's a link but it's not giving us a robust idea of the activity delivery.
	As data on CCW complaints is already available (and used for the purpose of holistic reporting) I did wonder why the 'cost' is rated as amber rather than green?	It might require further work to be able to determine which complaints arised of poor performance regarding CV.8
	What is the definition of a 'query' and how is this distinct from a complaint?	Queries are enquiries are made solely with the intent of eliciting information about Water Services and/or Sewerage Services and in the absence of any expression of concern, dissatisfaction or service shortfall.

Candidate metrics – feedback received (5 of 10)

Activity	Comment	MOSL response
CV.23: In the absence of a meter read retailers should make sure an accurate estimation of consumption is made	Missing the R2 (Settlement accuracy (including % actual reads at R1, R3 and RF) and USRs	Will add R2
	CCW & retailer complaints data could also apply – Specifically those complaints where customers are faced with a large backdated bill due to poor estimation being previously used.	Will add metric on backdated bills (volume and length of time)
	All metrics are based on assessing the accuracy of consumption in CMOS. There are no customer-focus metrics	We need to develop customer-focused metrics
	YVE needs to be measured, but it needs to be benchmarked for accuracy against historic volume.	This is what we meant by "Average delta between estimate and actual from R1 to R2, from R2 to R3 and from R3 to RF"

Candidate metrics – feedback received (6 of 10)

Activity	Comment	MOSL response
<p>UWE.4: Retailers facilitate the provision of timely and accurate consumption data to customers [assumes meter reads have been completed]</p>	<p>Not sure I understanding how vacancy reporting and completeness of customer name/banner name/ and SIC code are metrics to measure timeliness and accuracy of consumption data.</p>	<p>For water efficiency purposes, identifying vacants with consumption is important. The customer name and SIC code was relating to the retailer's ability to promote water efficiency to their customers (which implies knowing your customers) but this may be out of scope for this activity.</p>
	<p>I feel uncomfortable that retailer audit is included. This activity is not a code requirement and sending billing data to MOSL so it can assess compliance to a notional standard feels a significant extension of the role of the market operator. It is also not MOSL's role to state what is included on a bill.</p>	<p>At this stage, we are trying to compile all possible ways of measuring the completion of an activity. Metrics will be discarded based on suitability, cost, appropriateness and relevance to certain intervention tools at the next stage.</p>
	<p>There don't appear to be metrics associated with the accuracy of the consumption for example: Part of a meter network/deduction meters; Non-market meters; Reliability of the asset to accurately record consumption</p>	<p>This activity measures the retailer providing data to customers - metrics of asset reliability or non-market meters will relate to separate activities (e.g. GS.9)</p>
	<p>There are lots of reasons for USRs so only a suitable metric when the reason is related to timely and accurate consumption data.</p>	<p>Indeed, which is why suitability of USRs is classed as orange</p>
	<p>I particularly endorse a retailer audit as a metric for this activity. Given how improving the timeliness and accuracy of consumption data is so important for customers, we need to be prepared to examine not only what's happening at the market level (i.e; what's being inputted to CMOS), but if necessary, retailer processes and systems too. An audit could include not only what's being presented on bills, but how reads are being processed internally.</p>	<p>A more in depth metric will depend on the appropriate intervention tool</p>

Candidate metrics – feedback received (7 of 10)

Activity	Comment	MOSL response
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]	Customer research may also show what’s happening in this area – Are customers satisfied with the timeliness and accuracy of bills?	Will add customer satisfaction metric to UWE.6
	We may also want ‘Evidence of leakage advice’ to be included in the evidence on bills. Customers knowing correct steps to identify and resolve leaks forms another part of ‘water saving solutions’.	Will add as a metric
	Retailer audit - evidence of consumption data on customer bills and clear link between consumption and bill made for the customer - I think we should consider whether [consumption banding] might have an impact, do smaller customers get billed more frequently on estimates/not in line with consumption than larger customers?	That suggests we would need to make the audit very granular. Will amend the consumption banding to "Potentially depending on scope of the audit"
	Additional metrics - Retailers to report on bad debt position (just a thought/idea as not sure if this is high sensitive data)	Will add as a potential confidential metric
	Nothing is assessing refunds or how quickly these are provided	We need to develop refund metrics
	The metrics and interventions on this activity are very closely aligned to CV.4 do we need both?	The two activities measure different things - CV.4 is about the customers getting the information they need to compare retailers, UWE.6 is about retailers making a clear link between consumption and price in their bills
	I feel uncomfortable that retailer audit is included. This activity is not a code requirement and sending billing data to MOSL so it can assess compliance to a notional standard feels a significant extension of the role of the market operator. It is also not MOSL’s role to state what is included on a bill.	At this stage, we are trying to compile all possible ways of measuring the completion of an activity. Metrics will be discarded based on suitability, cost, appropriateness and relevance to certain intervention tools at the next stage.
Not sure I understand how vacancy reporting and LUMs are metrics for high quality bills unless the reason for the vacancy or LUM is in the control of the Retailer.	For water efficiency purposes, identifying vacants with consumption is important. Additionally, LUMs indicate that the customer isn't being billed on recent meter reads (it would be nuanced by the SPIDs with a bilateral raised against them)	

Candidate metrics – feedback received (8 of 10)

Activity	Comment	MOSL response
GS.2: Retailers provide clear information to customers on how the complaints process works	This is a binary activity – either the retailer communicates the complaints process or not. Reviewing complaints data from CCW as suggested in the metrics won't answer that.	The complaints data will enable us to assess whether customers have indeed received and understood the information, enabling us to assess whether the information provided is clear and easily accessible.
	This activity like many others in this cohort lends itself much more to a self-certification process similar to the Certificate of Adequacy and shouldn't form part of the MPF	Activities will be discarded from forming part of the MPF at the next stage.

Activity	Comment	MOSL response
GS.3: Retailers resolve complaints in a timely and efficient way	Wouldn't the average age of complaints be beneficial here?	Will add as a metric
	F5 bilateral data would measure how quickly retailers and wholesalers are resolving complaints, which would feed into whether retailers are doing this efficiently.	Will add as a metric
	OPS reporting would be beneficial in all parts of the operational terms	We need to understand that further
	GSS reporting is unlikely to say whether a complaint has been fully resolved or resolved in an efficient way	Which is why suitability is medium. It will indicate when some complaints have not been resolved efficiently.
	I feel uncomfortable that retailer audit is included. Complaint resolution is not a market operator role.	At this stage, we are trying to compile all possible ways of measuring the completion of an activity. Metrics will be discarded based on suitability, cost, appropriateness and relevance to certain intervention tools at the next stage.
	I thought that there is already a methodology for identifying complaints provided by CCW? If so, then all that's missing is publication.	CCW complaints data may not enable us to gauge the efficiency of the complaints process pre-escalation to CCW.

Candidate metrics – feedback received (9 of 10)

Activity	Comment	MOSL response
GS.4: Retailers provide clear and accessible information on their relative customer satisfaction performance	Additional metrics - Switching rates	Will add as a metric
	The metrics stated are about complaints and not about satisfaction.	Will amend the metrics - replace existing ones with audit on relative performance publication
	It is unclear why Retailer audit - audit on complaints resolution processes has been included as a metric against this activity	Will amend the metrics - replace with audit on relative performance publication

Activity	Comment	MOSL response
CV.4, CV.5, GS.2, GS.4	This area should be generally associated to audit based on a minimum standard of information to be published. This should then give an overall compliance score. I think this would also be a metric for wholesalers.	Will add an audit metric to CV.5 and CV.8 so they're all covered
CCW Data	Regarding the 'No' against 'Suitability for Geographical Cut' – The wholesaler region can be identified in CCW complaints data, so could a cut be done based on that	Will amend
CV.8, GS.3	Some of this needs to take a measure on timeliness from receipt to resolve. F4s may be more difficult to capture.	The overall length of time is not the best metric out of the F4 bilateral data to measure retailers keeping customers informed.

ENDORSE: Candidate Metrics (10 of 10)

- 💧 Seek Endorse – Exploration of possible Candidate Metrics for MPF
- 💧 What Endorse covers – all-encompassing view of possible metrics to be explored for the MPF
- 💧 What this Endorsement doesn't cover – The final list or what metrics will be used

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ENDORSE: Candidate tools (1 of 11)

Feedback – suitability grade - amended

Activity	Comment	MOSL response
<p>CV.8: Retailers to keep customers informed on query resolution</p>	<p>In terms of 'suitability', I would have thought peer comparison information on CCW complaints would be green (rather than amber) as this can help customers understand which retailers are better at keeping their customers informed and actually resolving their queries and complaints. This would have the added benefit of potentially supporting competition too.</p>	<p>Propose to amend to high suitability (green)</p>
<p>CV.5: Suppliers make customers aware of their ability to switch</p>	<p>Under-performance & Two way payments tools have been categorised as medium rather than low as the commentary has stated. It seems unlikely that retailers would not recognise the benefits that switching brings, and therefore the benefits of promoting it. I think this needs changing to 'low suitability'.</p> <p>For Audit & Rectification Monitoring tools – I agree with them being 'medium', assuming that the certain conditions that would make this tool effective, would be an increase in switching? If this is an incorrect assumption, I would argue these should be 'low' as I don't think they would be cost effective given the marginal benefits potentially produced.</p>	<p>Typing error. Amend to low</p> <p>Agree on moving this to "low" for the reason presented in the comment: "Audit & Rectification Monitoring tools [...] would (not) be cost effective given the marginal benefits potentially produced.</p>

ENDORSE: Candidate tools (2 of 11)

Feedback – suitability grade - amended

Activity	Comment	MOSL response
<p>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]</p>	<p>Under-performance payments – I would like clarity on what MOSL think could be ‘misreported’ so as to make the incentive unworkable? Similar to comment on UWE.4, providing high quality bills is the final key step of the customer billing journey from when read is taken to bill being received. Assessing the accuracy of billing can be carried out by retailer audit, and informed by examples shown in customer complaints. Based on this, I think there is scope for this to be changed to ‘High’ or at least ‘Medium’ if it is genuinely subject to other conditions.</p> <p>I don't understand the rationale for ‘low suitability’ for Restriction of Services/Rights as the commentary refers to feedback to wholesalers? Leaving the commentary aside, if retailers are not providing quality bills, or leaving customers out of pocket for lengthy periods of time, we should be prepared to have tougher incentives in the event that competitive pressures are not ‘biting’. Therefore, this should be High or Medium for same reasons as Under-performance payments.</p>	<p>Amend from low to high</p> <p>Didn't attribute a high suitability due to difficulty in finding a suitable metric (from current set we have) to apply underperformance payments. Payments need to be linked to a measured marginal change in a certain behaviour and we believe it would be difficult to quantify marginal changes in the quality of bills provided by retailers and link that to an underperformance payment. However, if we take as a metric the difference between the billed and the actual amount, our suitability assessment could be reviewed to "high". Therefore, agree with the amendment proposed in the comment.</p> <p>Amend from low to high.</p> <p>This is a typo on our end. Agree there could be a point in restricting market access or imposing sanctions on a retailer if its billing errors (calculated as difference between actual and billed amount) go beyond a certain threshold.</p>
<p>GS.3: Retailers resolve complaints in a timely and efficient way</p>	<p>Broadly agree with most of the suitability ratings for this activity, but there needs to be more explanation as to why Restriction of Services/Rights is ‘low’.</p>	<p>Propose to amend suitability from low to medium for Further exploration of what might work e.g. right to acquire customers</p>

ENDORSE: Candidate tools (3 of 11)

Feedback – next steps

Activity	Comment	MOSL response
General comment	<p>The focus of the metric and intervention assessment should be amended to align with SP requirements. Rather than asking about suitability and cost the headings should ask if the recommendation is:</p> <ul style="list-style-type: none"> • customer focused • commercially sustainable • incentivises customer service • incentivises innovation • improves customer benefits • improves water efficiency/drainage 	<p>Next step - assess metrics and intervention tools based on suitability, cost, appropriateness and relevance to each other (success criteria/CFI principles). Can include these categories as part of this.</p>
<p>CV.5: Suppliers make customers aware of their ability to switch CV.8: Retailers to keep customers informed on query resolution CV.23: In the absence of a meter read retailers should make sure an accurate estimation of consumption is made</p>	<p>Most interventions listed appear to pivot around a minimum standard of information provision. This would have to be an extension of the market codes/CPCoP and although it is an intervention for an underperforming Retailer, every retailer may incur the cost of this so that underperformance can be identified.</p>	<p>At this stage, we are trying to compile all possible intervention tools that could be explored for use in the MPF to incentivise the completion of an activity. It does not mean the MPF will use all these intervention tools. Intervention tools will be discarded based on suitability, cost, appropriateness and relevance to certain metrics at the next stage.</p>

ENDORSE: Candidate tools (4 of 11)

Feedback – design

Activity	Comment	MOSL response
<p>CV.6: Retailers to provide sufficient level of actual meter reads to ensure accurate consumption data (giving accurate settlement and customer billing)</p>	<p>The interventions stated as highly suited are mostly financial penalties – would this result in double jeopardy?</p>	<p>Consider as part of design of tools - may apply only to certain types of customer</p>
<p>CV.6: Retailers to provide sufficient level of actual meter reads to ensure accurate consumption data (giving accurate settlement and customer billing)</p> <p>CV.23: In the absence of a meter read retailers should make sure an accurate estimation of consumption is made</p>	<p>Underperformance payments – any payment should be based on harm/impact on the customer/wholesaler and not as proposed. Compensatory payment intervention states “It should be possible to calculate the financial impact caused by inaccurate billing. Retailers would therefore have an incentive to improve (sic) the frequency and accuracy of their readings to avoid compensatory payments.” Most inaccuracies are corrected with very limited harm to the customer/wholesaler. With this proposal, one significant inaccurate read submission that is quickly corrected could result in an underperformance payment that could put the retailer into default. Has any consideration been given to the underperformance being to the customer/wholesaler’s benefit i.e. the inaccuracy underestimates consumption?</p>	<p>Consider this kind of detail as part of design</p>
<p>CV.5: Suppliers make customers aware of their ability to switch</p> <p>CV.4: Retailers to provide product details and prices clearly to customers</p> <p>CV.8: Retailers to keep customers informed on query resolution</p> <p>GS.2: Retailers provide clear information to customers on how the complaints process works</p> <p>GS.4: Retailers provide clear and accessible information on their relative customer satisfaction performance</p>	<p>Awareness of ability to switch, transparency of tariff and service information areas: should generally be associated to audit based on a minimum standard of information to be published.</p>	<p>Audit features in these activities with a medium or high suitability in the main.</p> <p>We will consider the appropriate intervention tools for each activity. Several interventions may be applied for one activity depending on the level and characteristics of underperformance</p>

ENDORSE: Candidate tools (5 of 11)

Feedback – design

Activity	Comment	MOSL response
<p>CV.6: Retailers to provide sufficient level of actual meter reads to ensure accurate consumption data (giving accurate settlement and customer billing)</p> <p>UWE.4: Retailers facilitate the provision of timely and accurate consumption data to customers [assumes meter reads have been completed]</p>	<p>Settlement and bill accuracy areas: Need to ensure that the cyclical read metrics are incentivised to either re attempt a meter read or escalate to the wholesaler for resolve before the next cyclical read is due. Any KPI measurements need to align with the settlement cycles.</p>	<p>Consider this as part of design</p>
<p>General comment</p>	<p>There's a worthy debate as to the suitability of risk vs reward before incentives are applied i.e. a risk based system incentivises through a simple incentive of perform well to avoid charge. However if there are caps or ceilings where charges stop before achieving 100%, in the absence of reward some might just reach the point of risk elimination and not go beyond.</p>	<p>This should be part of discussion when designing tools.</p>
<p>CV.23: In the absence of a meter read retailers should make sure an accurate estimation of consumption is made</p>	<p>Compensation – can only be when the cause of the damage to the customer is inaccurate estimation or absence of a meter read caused by the Retailer. An inaccurate bill can be due to other causes eg incorrect allowances, broken meter.</p>	<p>Consider the detail as part of design.</p>

ENDORSE: Candidate tools (6 of 11)

Feedback – activity or intervention on activity not appropriate/needed

Activity	Comment	MOSL response
<p>General comment</p> <p>GS.2: Retailers provide clear information to customers on how the complaints process works</p> <p>CV.8: Retailers to keep customers informed on query resolution</p>	<p>Remove anything inappropriate for inclusion in the MPF before consultation. Has previously listed activities that although important for retailers to undertake shouldn't form part of a MPF, usually because theres other natural incentives (including business imperatives) or would be more appropriate to use a different tool/route such as self-certification etc. Or it is because the MPF is being used to fix some of the structural problems in the market that is resulting in low customer engagement and dissatisfaction.</p> <p>Sit better outside MPF. Distinction should be made between market performance and purely retailer performance.</p>	<p>At this stage, we've compiled a long-list of all activities that support market outcomes. For transparency and completeness, no activities have been removed for October's consultation. The consultation does not include metrics and tools.</p> <p>At this stage, we are trying to compile all possible intervention tools that could be explored for use in the MPF to incentivise the completion of an activity. It does not mean the MPF will use all these intervention tools. Intervention tools will be discarded based on suitability, cost, appropriateness and relevance to certain metrics at the next stage.</p>
<p>CV.4: Retailers to provide product details and prices clearly to customers</p> <p>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]</p>	<p>The biggest incentive to Retailers to produce clear product details and prices to customers is the opportunity to get customers to switch to you. Where switching rates are low, the root cause seems unlikely to be because product details and prices are unclear.</p> <p>There is a strong incentive on Retailers to do this, because otherwise customer contact increases</p>	<p>We should still consider intervention tools that could be used to augment effectiveness</p>

ENDORSE: Candidate tools (7 of 11)

Feedback – clarify

Activity	Comment	MOSL response
UWE.4: Retailers facilitate the provision of timely and accurate consumption data to customers [assumes meter reads have been completed]	Publishing peer comparison – an issue that has surfaced via the RWG looking at water efficiency is that very few customers are interested as they are not incentivised to be more efficient. I do not agree with the rationale for why peer comparison reporting is highly suitable.	Perhaps customer isn't currently interested in water efficiency. May not always be that way and does not mean that we shouldn't consider what intervention tools may be appropriate, and, they are interested in their bill.
GS.3: Retailers resolve complaints in a timely and efficient way	The highly suitable interventions are not addressing the correct behaviour. Surely this is about making sure a complaint doesn't arise in the first place.	Complaints do arise and therefore it is appropriate that we consider intervention tools
GS.3: Retailers resolve complaints in a timely and efficient way	I thought that there is already a methodology for identifying complaints provided by CCW? If so, then all that's missing is publication.	Covered in metrics session but, to confirm - publication has been identified as a tool
CV.4: Retailers to provide product details and prices clearly to customers	I agree its the quality of the price/products on offer, rather than how well they are being communicated to customers. On this basis, I agree the reputational incentives would be 'low suitability'. However, this calls into question the validity of the activity as worded. E.g. I'm struggling to see how the Audit tool is 'high suitability' as this would essentially be auditing the 'wrong' thing - i.e; how well retailers are promoting a service, rather than it's quality. The impact of a publication of an audit that 'failed' would therefore be quite low.	Compliance incentive created through including quality of the information provided as part of the audit

ENDORSE: Candidate tools (8 of 11)

Feedback – clarify

Activity	Comment	MOSL response
<p>CV.6: Retailers to provide sufficient level of actual meter reads to ensure accurate consumption data (giving accurate settlement and customer billing)</p>	<p>For reputational incentives, could potentially change to ‘low suitability’ for following reasons: I broadly agree with comments around customers being possibly more motivated to switch only if billing inaccuracy is significant. However, it’s also the case that general unawareness of, and disengagement with the market, especially among small customers, means such information may not ‘cut’ through and be a sufficient motivator; Many customers do not take the view that switching is the answer to resolving poor service. In response to seeing that their existing retailer’s actual read performance is poor, they would expect improvements to be made, rather than look to switch away. I agree with the suitability ratings given to all other tools.</p>	<p>Think we're in agreement that customers may not switch because of billing accuracy but that they are likely to want to see performance improve. Several interventions may apply, perhaps starting with understanding performance through publication. Leave rating as is. Explore suitability of tools further in next steps</p>
<p>CV.5: Suppliers make customers aware of their ability to switch</p>	<p>One of the key ‘measures of success’ from this activity would be seeing switching rates increasing as a result of more information being provided. However, more information on ability to switch does not necessarily mean that small customers will see there is a benefit to doing so. Similar to the point made under CV.4, it seems this may be essentially measuring the wrong thing – information provision rather than actual switching numbers.</p>	<p>Would look to have Market metrics on switching. However, still important that customers know they can switch.</p>
<p>CV.8: Retailers to keep customers informed on query resolution</p>	<p>Reputational tools - While customers feel it’s important to be kept updated, more importance is placed on the queries being resolved within a reasonable timescale. On balance, I would say that ‘medium’ is appropriate as it may have some limited value, but would be prepared to agree with it being ‘low’ if others felt this way.</p>	<p>Leave rating as is. Explore suitability of tools further in next steps</p>

ENDORSE: Candidate tools (9 of 11)

Feedback – clarify

Activity	Comment	MOSL response
<p>CV.23: In the absence of a meter read retailers should make sure an accurate estimation of consumption is made</p>	<p>For reputational tools – Agree that the quality of billing estimation is very relevant for customers, but there is a risk that the detail behind some of the explanation (e.g; how a YVE has been calculated) might not be understandable enough to help people make an informed choice. I would therefore say that the suitability is more likely to be ‘medium’ given how effective the tool would be in practice.</p> <p>Perhaps more of a general comment, but retailers should not be incentivised to provide a ‘good estimate’ ahead of a bill based on an actual read. Therefore, choosing appropriate incentives for this activity need to be checked against those applying to activities such as CV.6, and others focusing on accurate billing, to ensure no perverse incentives are being created. To reflect this, perhaps Compensatory Payments should not be ‘High’ as it may be easier for retailers to avoid this by improving estimation rather than the number of actual reads being taken.</p>	<p>Leave rating as is. Explore suitability of tools further, including unintended consequences, in next steps</p>
<p>UWE.4: Retailers facilitate the provision of timely and accurate consumption data to customers [assumes meter reads have been completed]</p>	<p>Under-performance payments – Providing timely and accurate consumption data is a key part of ensuring the customer billing journey works as it should. For the entire journey to run smoothly, as much scrutiny needs to be on what retailers provide to customers, as well as what’s being provided to the market. I think this could be at least a ‘medium’ as a retailer audit could be effective in determining level of performance in this area.</p> <p>Reputational incentives – I agree with the importance, and that this type of information could be understood by customers if published. I would agree that this is ‘medium’ for the reasons provided in activity CV.6.</p>	<p>Leave rating as is.</p> <p>Skeptical of giving a "medium" suitability grade re the possibility of finding a metric that allows us to measure a marginal change in the activity. Would we be able to find a metric that allows us to quantify changes in "how much retailers facilitate the provision of timely and accurate consumption data"? A marginal change in this metric would have to be linked to a certain payment.</p> <p>Thinking about our current set of metrics, it would be very difficult to find a suitable one.</p>
<p>GS.2: Retailers provide clear information to customers on how the complaints process works</p>	<p>Agree that under-performance tool is potentially ‘high’ but if this one is, then GS.3 needs to be the same resolving complaints is more important than ensuring that information about the process should be provided.</p>	<p>Accountability is clear here (GS.2) may be less so for GS.3</p>

ENDORSE: Candidate tools (10 of 11)

Feedback – governance

Activity	Comment	MOSL response
CV.4: Retailers to provide product details and prices clearly to customers	I have a question as to whether it should be MOSL making the decision on suitability of information provided to customers - should this not be MPC? This comment applies to several other areas where MOSL has been identified as the arbiter of suitability and compliance, I agree that MOSL should be gathering the information, however I think it should be owned by the MPC for sign off.	To be determined as part of Governance of the MPF

ENDORSE: Candidate tools (11 of 11)

- 💧 Seek Endorse – Exploration of possible Candidate Tools for MPF
- 💧 What Endorse covers – all-encompassing view of possible Tools to be explored for the MPF
- 💧 What this Endorsement doesn't cover – The final list or what Tools will be used

Agenda

1	Welcome	Chair	5 Mins
2	Actions from previous meeting	Chair	5 Mins
3	Review Progress to date & Feedback on Governance tiers	Chair	5 Mins
4	Endorses Group 2 candidate metrics	Axelle Saada	45 Mins
5	Endorses Group 2 candidate tools	Janet Judge	30 Mins
6	Process & Governance	Adam Richardson	20 Mins
7	Any Other Business, upcoming meetings	Chair	5 Mins

Areas Considered by the Panel in September '22

1) Process:

- **when and how** decisions regarding the focus of the MPF are taken either on:
 - a. an annual basis; and/or
 - b. month to month; and

2) Governance:

- **who** takes decisions regarding the focus and application of the MPF in general and with respect to specific interventions where there is optionality in their deployment.

Process

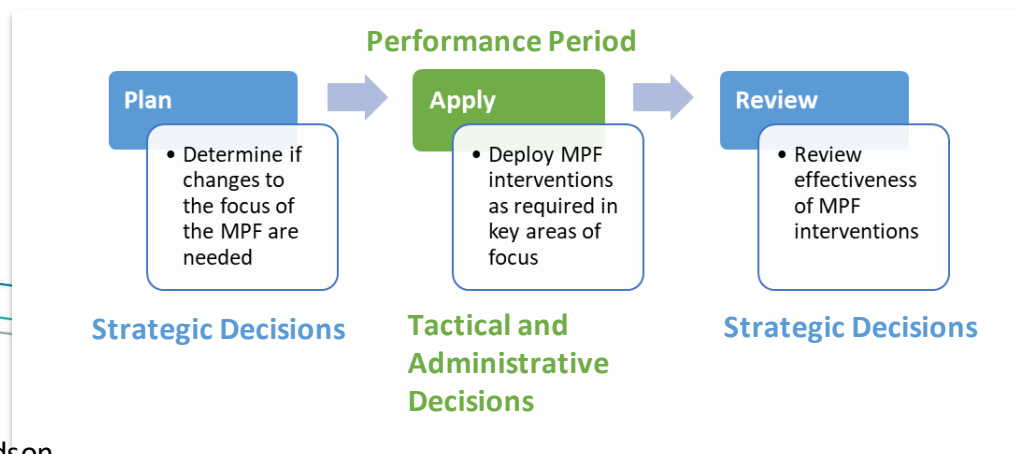
AIM

To provide a framework for timely, effective and legitimate decision-making regarding changes to the focus and application of MPF interventions on a strategic basis and at a tactical level to ensure that MPF interventions continue to drive desired outcomes

‘Performance Periods’

Strategic decisions should send appropriate signals to stakeholders

A ‘performance period’ to be defined as one or more years in length. With expectation these will likely be 2-3 years in length at a minimum.



Strategic decisions are likely to encompass:

- 1) Risk and Incentives Review: Periodic consideration of market activities and risks against the known performance of the market and prevailing natural and regulatory incentives to avoid overlaps with the MPF and determine ‘gap’ areas which may benefit from the additional focus brought by deploying MPF interventions.
- 2) Re-Focus MPF Interventions: Pro-active re-focusing of MPF interventions within the flexibility afforded by market codes to address priority gap areas.
- 3) Amend extent of MPF: Initiating amendments to material definition and limits of MPF interventions (either through market code change processes or through bespoke amendment processes provided for within the market codes).

Process

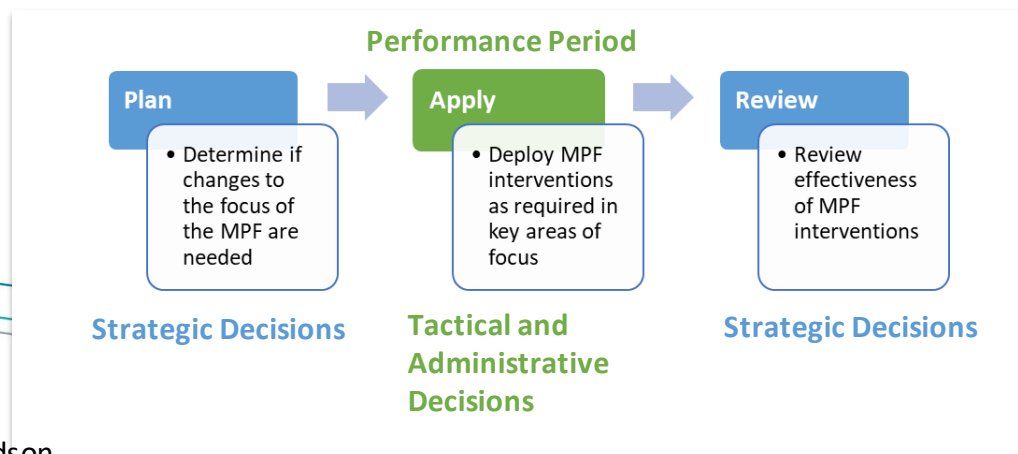
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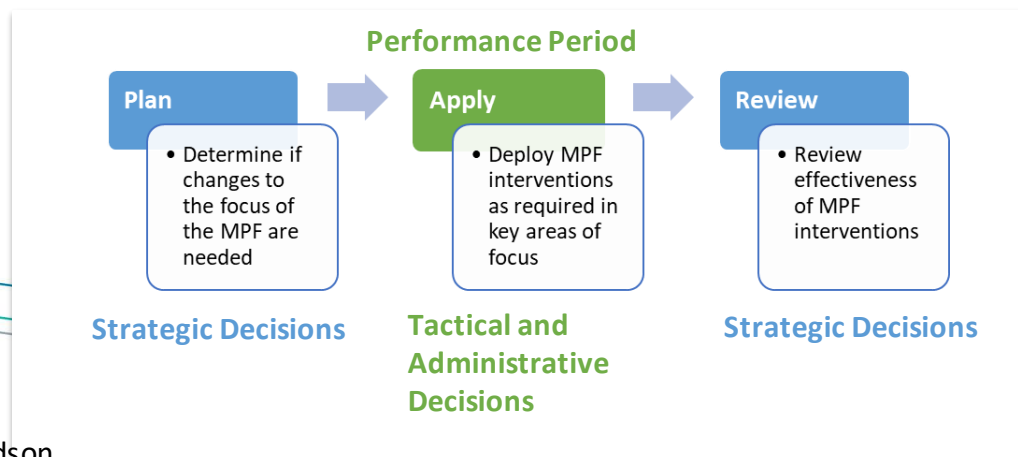
- 1) Risk and Incentives Review:
- 2) Re-Focus MPF Interventions:
- 3) Amend extent of MPF:

Tactical decisions may encompass:

- 1) *Determinations regarding the timing and deployment of non-regular interventions where these are provided for in the MPF – e.g. a targeted market audit or the provision of a programme of education*
- 2) *Decisions regarding the deployment of any corrective interventions (often in light of the findings of detective MPF interventions) – e.g. the requirement to submit rectification plans following identified underperformance or non-compliance and the application of any resulting sanctions if these are provided for in the MPF.*

Process - Example

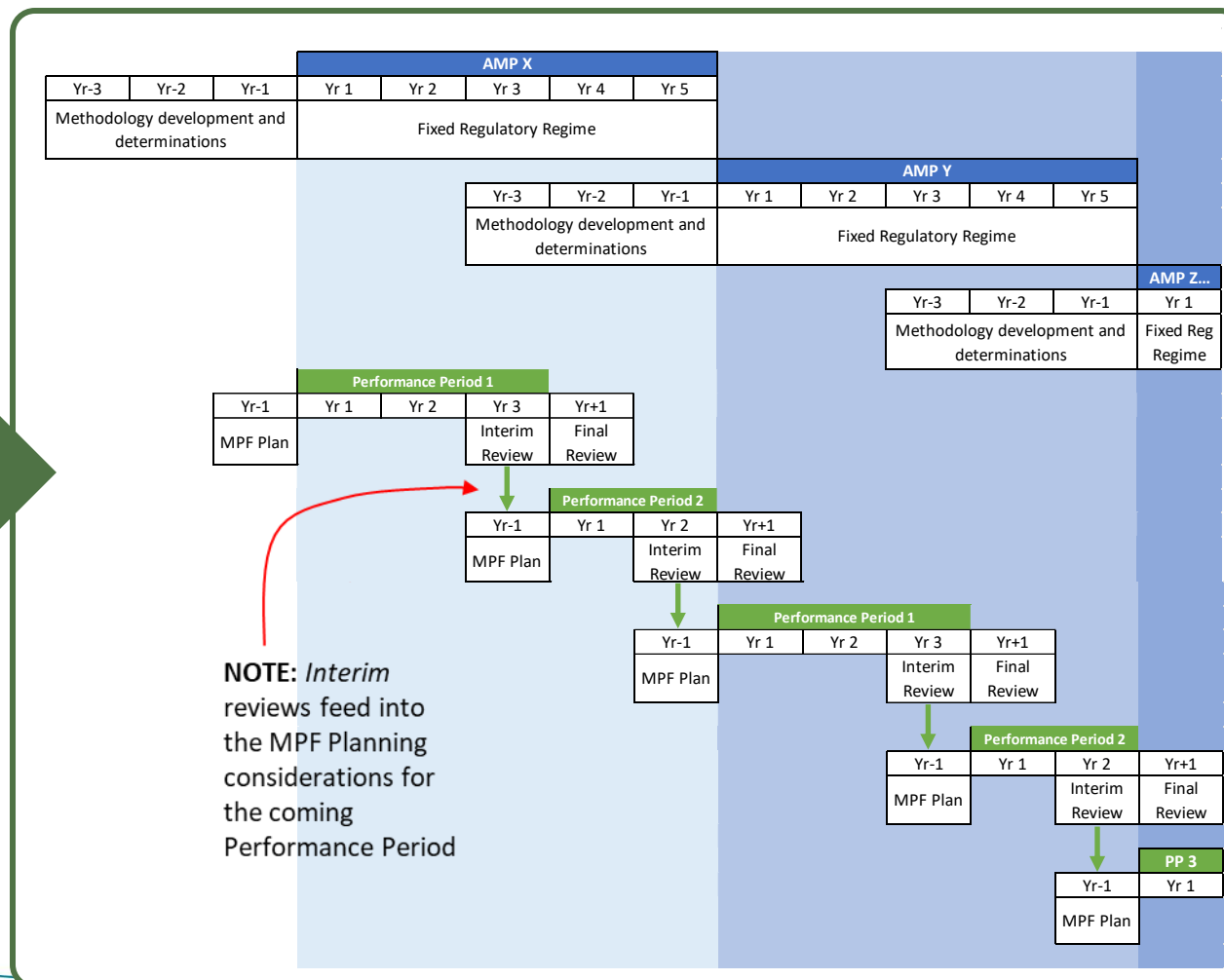
- **Engagement:** Engagement ahead of a performance period allows MPF focus to be informed by stakeholders. Sends important signals about areas of concern to stakeholders ahead of the MPF being deployed.
- **Affordability:** Allows constant balancing of value and cost in the operation of the MPF. (Trading Parties pick up the cost of operating the MPF in addition to any financial incentives that form part of the MPF itself. Timing enables any proposed material amendments to the focus and scope of MPF activity to be taken into account in the business planning cycle for the market operator).



Phase	Timing ¹	Activity / Decision
Plan	Performance Period – 7 months (e.g. Aug-Sep)	<ul style="list-style-type: none"> • Update Risk/Issues Tracker with latest information • Update market activities and risk mapping as required • Review any changes in natural or regulatory incentives • Publish Risk and Issues Tracker to stakeholders • Publish review of activities and incentives
	Performance Period – 6 months (e.g. Oct)	<ul style="list-style-type: none"> • Formulate proposed re-focusing / amendments to MPF interventions (including scope of interventions, targets, size of incentives as appropriate) • Circulate proposals to decision-making body
	Performance Period – 5 months (e.g. Nov)	<ul style="list-style-type: none"> • Decision-making body confirms preferred focus and amendments • Publish a view for consultation (to signal intent)
	Performance Period – 4 months (e.g. Nov-Dec)	<ul style="list-style-type: none"> • Consultation Period
	Performance Period – 2-3 months (e.g. Jan-Feb)	<ul style="list-style-type: none"> • Consideration of responses • Final decision on focus and amendments to interventions
	Performance Period – 1 months (e.g. Mar)	<ul style="list-style-type: none"> • Publish final view of MPF focus / amendments in agreed plan
Apply	PERFORMANCE PERIOD	Performance Period commences <ul style="list-style-type: none"> • MPF Interventions are deployed in line with the MPF focus (this may include regular, monthly interventions and ad-hoc interventions as per the agreed plan) • New/amended MPF interventions are introduced in line with the agreed plan • Regular reporting, updates to decision-making body/bodies as provided for in the agreed plan
Review	Performance Period + 4 months (e.g. July)	Publish review of the Performance Period outlining: <ul style="list-style-type: none"> • Deployment of the MPF vs the agreed plan • Findings of the MPF (improvements/degradation in market outcomes as appropriate) • Implications for current view of market risks and natural and regulatory interventions.

Process - Example

Phase	Timing ¹	Activity / Decision
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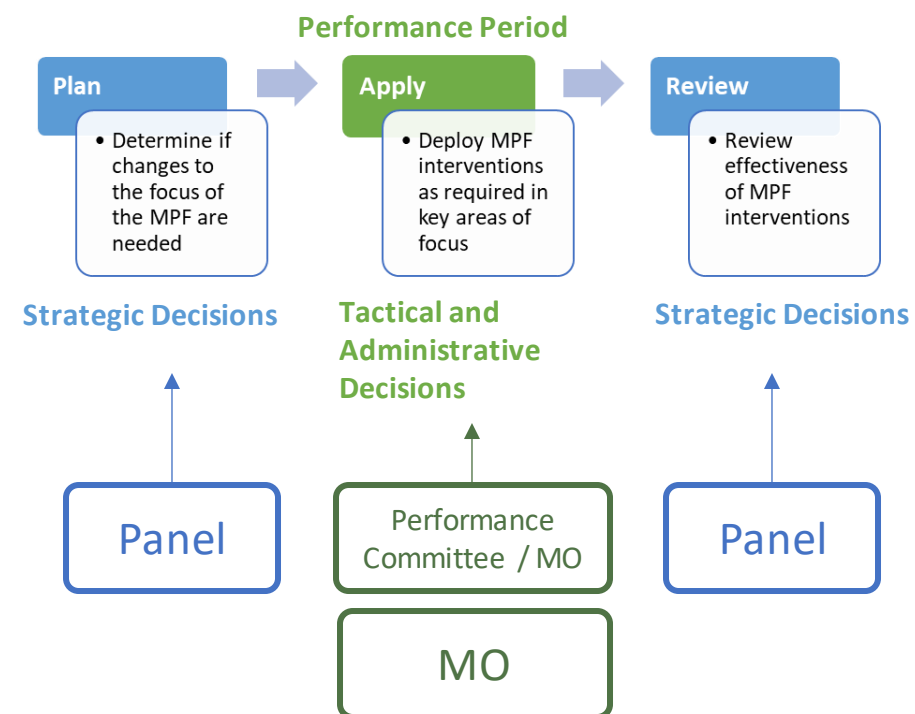


Governance

AIM

To provide clear accountability and responsibility that is consistent with **market-led governance for timely, effective and legitimate decision-making** regarding changes to the focus and application of MPF interventions on a strategic basis and at a tactical level to ensure that MPF interventions continue to drive desired outcomes

- Four decision-making layers:
 - Lyr 1** **Layer 1 (Contractual Certainty)** decisions to be made by Ofwat;
 - Lyr 2** **Layer 2 (Strategic)** decisions to be made by the Strategic Panel;
 - Lyr 3** **Layer 3 (Tactical)** decisions to be made by either:
 - the Strategic Panel or the market operator;
 - a Performance Assurance Committee if a case made for such a body as MPF interventions are developed; and
 - Lyr 4** **Layer 4 (Administrative)** decisions to be made by the market operator.



Governance – Example (for illustrative purposes only)

	Reputational Incentives	Financial Incentives	Compliance (Education)	Compliance (Adtnl Metrics)	Compliance (Audit / Asrnce)	Compliance (Rectification)	Sanctions
Policy Decisions	What Measured Lyr 1	Requirements Standard Lyr 1	Subject Area Lyr 4	What Measure Lyr 3	Scope Activity Lyr 2	When to Escalate Lyr 3	Permitted Sanctions Lyr 1
	When is Published Lyr 2	Size of Incentive Lyr 1	Self-service impose Lyr 4	Standards Required Lyr 3	When to deploy Lyr 3	Milestones Acceptance Lyr 3	When to apply LD / Material Limitation Lyr 2
	Where published Lyr 4	When levied Lyr 1	Content Lyr 4	When to start / stop monitoring Lyr 4	Approach delivery Lyr 4	When to Request Lyr 4	When to apply Administrative Limitation Lyr 3
	Publication format/info Lyr 4	Invoicing Payment Lyr 4	Delivery Lyr 4	Data collection / reporting Lyr 4	Results Reporting Lyr 4	Notice of Concern / Action Lyr 4	Application of sanction Lyr 4
Administrative Decisions							

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 / Workshop - first review of Metrics and Tools allocation and selection (PAG 12-14)