

Minutes of the Performance Advisory Group 13 (Workshop)

26 January 2023 – 09:00 to 13:00

MEMBERS PRESENT

Chris Dawson	CD	MOSL (Chair)	Adam Boyns	AB	CCW
Emily Jerrome	EJ	Water2Business	Kate Russell	KR	Yorkshire Water
Jamie Davies	JD	Castle Water	Richard Varley	RV	Southwest Water
Wendy Monk	WM	Wave	David Morris	DM	Waterplus
Trevor Nelson	TN	Business Stream	Jon Fuller	JF	Wessex Water
James Higgins	JH	MOSL	Neil Pendle	NP	Waterscan

OTHER ATTENDEES

Janet Judge	JJ	MOSL	Adam Richardson	AR	MOSL
Shaun Kent	SK	Ofwat	Steve Formoy	SF	MOSL
Axelle Saada	AS	MOSL	Sam Webb	SW	MOSL
Lisa-Ann Lott	LAL	MOSL (Notes)			

APOLOGIES

Andrew Smith	AS	Castle Water	Claire Yeates	CY	Waterscan
Michael Rathbone	MR	Severn Trent	Evan Joanette	EJo	MOSL
Elena Vaccarino	EV	PwC	Ben Gough	BG	PwC
John Gilbert	JG	MOSL	Sarah Scott	SS	Veolia

ACTIONS FROM MEETING(S)

NO	Action required	Action by	Action Date
14/01	Feedback received from members on the metrics will be retained for future use and added to Metric review.	AS/JJ	24/02/2023

1	Welcome
	The Chair welcomed attendees to the meeting, noted apologies and confirmed the agenda.
2	Actions from previous meeting
	Chair presented the actions proposing to close: - 13/01, 13/03, 13/04, 12/01, 12/02, 12/03, 11/01, 11/02, 10/02, 10/05 To remain open: - 13/02
3	Review progress to date & Steering Group feedback
	Chair ran through current timetable and progress to date. Chair confirmed Steering Group had provided positive feedback of the draft plan including the incremental change and quick wins. Chair highlighted new risks which had been discussed with the Steering Group including 'Pot 4' activities. Next Steering Group meetings 15 March 2023 & 9 May 2023.
4	Recap & interventions
	AS ran through the recap. AS thanked members for their work on the pre-read and all feedback received. AS highlighted the shortlisting approach for the intervention types: -

	<ul style="list-style-type: none"> • Remove intervention types with low suitability (done at previous stage) • Remove intervention types with no relevant metrics. • Keep only one intervention type within the same reputational and financial categories (because these interventions are mutually exclusive) unless we have a rationale to keep more than one. • Save exceptions, the intervention type to keep within these categories is the one with the highest summary score. <p>TN enquired how will it be determined when suitability grades are all similar, is there an intrinsic preferences for certain interventions.</p> <p>AS noted suitability only one quarter of the score and therefore selection will include cost of intervention and further confirmed will run the exercise to narrow the selection once PAG feedback taken into account.</p> <p>AS also confirmed highest score may not mean applied first e.g., audit scores highly but is costly and therefore may not be applied often.</p> <p>AS highlighted tools may be used at different stages, pre-entry, regular (monthly or annually), discretionary when metrics trigger need.</p> <p>AR supported the above approach.</p> <p>AS noted the feedback received from members on the metrics will be retained for future use.</p>
5	<p>Endorses activity templates</p>
	<p>AS began running through the activity templates confirming interventions being considered first.</p> <p>AS noted member feedback on UWE.4 cost should be amended from 4 to 3.</p> <p>AS highlighted CCW complaints data cost of creation versus cost of publication differs. Cost to create consider a '2' with publication being a '4.'</p> <p>AS noted change in relation to CV.3 being added back into peer comparison as current holistic reporting offers this.</p> <p>UWE.4 will be updated on cost from 4 to 3 due to cost of publication versus creation.</p> <p>AS noted Wholesaler peer comparison may not be as effective as Retailer peer comparison.</p> <p>JJ ran through financial incentives feedback noting no need for clarifications.</p> <p>JJ highlighted on GS.3 RAG rating inconsistent with GS.9 and will be amended from 2 to 3.</p>

JJ noted feedback regarding ‘where the monies will go?’ – will these go to future improvements? Presentation will cover the responses.

JJ highlighted difficult to assess under performance on data thus suitability graded as ‘2.’

JJ noted observation CV.15 outperformance payments not most suitable hence rating altered to ‘2’.

JJ highlighted on two-way payments UWE.7 could be more effective to incentivise resolution of LLUM however could be discarded if picked up via underperformance payments.

AS described amendment to CV.3 GS.9 (Education) from green to yellow in respect of costs as likely to be mandatory training requirement.

AS highlighted mandatory training to be taken forward for UWE.5 however may not be first option.

AS noted additional metric monitoring would act as triggers for further monitoring and used when concerns are raised for an activity.

Chair highlighted additional metric monitoring are most likely to fit into the ‘discretionary’ monitoring as detailed earlier.

AS noted for GS.3 the audit would be the metric in this case and would be low cost.

JJ ran through feedback on audit and assurance.

CV.15 RAG status was queried and therefore proposed to amend to yellow (3) noting costs of audit would depend on the exact audit tool used.

JJ highlighted for audit feedback noted members comments that different types of audit would attract different costs e.g., Data audit may be less costly.

TN noted the need, at some point, to cost out audits as will differ dependent on resource e.g., MOSL audit versus outside sourced audit. TN further highlighted the design intention to be cost effective for Trading Parties and need to ensure no diminishing returns.

AR supported TN’s comments and noted need to highlight where an audit could be available and where it will be used annually/in each performance period.

TN further noted audit may be utilised as a metric and instigate further measures and may not be agile or responsive enough.

JJ highlighted for rectification monitoring and escalation likely to be used as a secondary/discretionary options.

AS highlighted for compensatory payments CV.9 cost RAG rating queried noting it may be less expensive as less regular however may be more difficult to assess and therefore more expensive therefore MOSL propose to retain cost RAG rating of '2'.

AS noted feedback on worth of compensatory payments and confirmed considered to offer an extra incentive to perform well.

AS ran through limitation of services/access rights and noted feedback suggesting may make things worse not better dependent on the limitations imposed e.g., limiting access to CMOS when data entry is poor would be counterintuitive. Ability to raise a dispute to be limited may be considered alongside other limitations.

NP noted does not consider restrictions to services should be MOSL's remit and may sit with Ofwat or MPC and cannot see the worth of limitations. AS noted not intended to provide MOSL with more powers than currently have however may trigger reports to other bodies.

SK noted potentially MPF has a role for collating and providing the metrics. SK noted a limitation of service such as not allowing a Retailer to take on new customers may be suitable however limitations will require further discussions.

NP/SK clarified MPF is an acceptable route for limitations of service to occur.

TN noted should Ofwat balance limitations of service against other measures for wider company e.g., sea/river pollution against effects on business customers only.

NP enquired if other members disagreed with the inclusion of limitation of services or would want this included within a consultation.

AS highlighted limitation of services was included in consultation 1 and will be included within tools in consultation 2.

TN left the meeting.

DM agreed with NP's feedback and noted market restrictions are contained within the codes at present and would be appropriate to be included however need to ensure exact tools are appropriate.

AR confirmed will not confer powers on MOSL to action and will act as information for other bodies. AR also confirmed DM's comments on the inclusion currently within the codes.

AR noted a similar limitation is included within the electricity codes and requires a consistent breach of the codes, endorsed by a panel (similar to MPC) and referred to the regulator for action.

NP noted AR's explanation and the need to highlight this within consultation 2 to ensure industry understanding.

SK agreed need for right checks and balances with these kinds of interventions and tools.

JJ ran through the metric mapping beginning with CCW customer complaints data, noting intervention costs is separate to the costs of metrics. The cost associated to CCW complaints data as a metric is 2 as considered costly to create.

JJ noted for additional metric monitoring the analysis of data required would attract costs in particular in the first instance as set-up costs.

NP noted need to cost properly and ensure can be enacted in sensible timeframe.

JF highlighted need to call out in consultation where can be used for both Retailers and Wholesalers.

JF noted need against audit and assurance to update description to include element of accuracy and to include LLUM as a metric for this intervention.

Against retailer raised C1s JJ proposed to amend primary metric to "proportion of UPRFN and VOA codes" with the most likely the final metric will be a combination of relevant metrics. The same had been noted for LLUMs.

AS read through the feedback on CV.15 and asked members what intervention types would they link to this?

AS noted this could be 'number of customers back billed following market entry' however will be difficult to apportion accountability.

JJ agreed with the above given it is a joint activity and may need to be viewed as a trading party pairing.

NP noted if intervention type is difficult to identify may need to removed. May be a market metric and KPI and a measure of overall market health and could inform Ofwat and Strategic Panel as state of the market.

SK reluctant to remove as an intervention type and some kind of incentive would be useful given customer impact.

AB highlighted would be useful to remain however would require careful consideration as to how best to measure.

AS noted will be added as an intervention type against the activity to ensure not lost and should a direct incentive be identified will be included alternatively will be retained as a market indicator.

AS highlighted for under-performance payments the proportion of wholesaler's ORIDs that have at least one deferral, the intervention would not work by SPID as per the current MPS it would work on an aggregated basis with a percentage.

AS noted for CV.6 a number of amendments proposed, adding billing complaints relating to consumption to metrics, amend primary metric to billing complaints relating to consumption and add as a trigger for rectification.

JJ ran through feedback on GS.3 noting against under performance payments why F5 as a primary as opposed to 2 as an average. For underperformance need to have defined standard e.g. SLAs on F5 and metrics need to be improvable beyond a set standard.

JJ displayed GS.9 feedback and confirmed amendments F4 and F5 bilaterals data will be removed from financial incentives at present. Under audit and assurance meter accuracy tests will be updated to add 'analysis on meters recording inaccurately'

JJ asked members for further explanations against comments made on MPS 7. JF confirmed SLAs in Bilaterals hub also being measured as an MPS measure and therefore doubling up on tracking.

Chair noted covered by Operational Terms for majority of processes and once all incorporated MPS 7 will become obsolete. However, need to ensure no double accounting taking place as a result.

JJ highlighted comment against UWE.4 metrics and MOSL's view merit in customers having this information.

AS ran through UWE.5 and UWE.7 feedback noting question on two-way payments and timeframe for completion of activity. AS requested members consider which metrics could be utilised in respect of two-way payments and underperformance payments as any interventions would aim to foster collaboration.

SF highlighted work of metering committee on national metering strategy roles and responsibilities for reading meters taking into account the role out of smart metering. May affect the MPF interventions etc. in the longer term.

AS thanked members again for their feedback and noted feedback not covered today will be included within future PAG meetings.

Chair also thanked members for their feedback in particular given the time of year.

Chair asked for PAG member endorsement noting this covers the shortlisted metrics and intervention types to be explored in phase 2 of the MPF reform and does not include the final definition of metrics nor the final list of what metrics and interventions will be used.

Members endorsed on this basis.

6	<p>Feedback on activities (groupings) proposed MPF activities.</p>
	<p>SW joined the meeting.</p> <p>JJ ran through the feedback on activities beginning with a recap:-</p> <ul style="list-style-type: none"> • One new activity GS.10 bringing total to 36 activities. • Amended activity to risk mapping as a result additional risk mapped to CV.1 moving from bottom to middle of table for priority • Customer focused activities been given lower priority than data improvement activities therefore CV.9 moved up from middle to top table. • Activities considered out of scope by consultation respondents; as a result created Pot 4 activities which may sit outside the MPF which covers seven activities. <p>JJ showed the prioritised list of activities: -</p> <p>10 activities in top table, CV.3/UWE.3, CV.2/UWE.2, GS.9, UWE.7, GS.3, UWE.4, UWE.5, CV.6, CV.9 and CV.15</p> <p>12 activities in middle table, CV.13, CV.16, CV.18, GS10, CV.1, GS.6, GS.8, CV.7, GS.2, GS.6, CV.8 and CV.23</p> <p>7 activities in bottom table, CV.19, CV.20, CV.21, UWE.1, CV.17, CV.22 and GS.7</p> <p>7 activities in Pot 4, GS.1, CV.4, CV.11, UWE.6, CV.5, GS.4 and CV.12</p> <p>KR rejoined the meeting.</p> <p>RC queried if customer complaints (GS.3) activity currently in top table should be included in Pot 4 due to the rationale regarding customer complaints and whether should be covered by CCW as opposed to the MPF in particular as not in market codes.</p> <p>AR replied not necessarily constrained by existing provision and where obligations currently sit. Wanting to ensure no gaps may lead to aligning market codes to fill those via the MPF.</p> <p>AR noted working with Ofwat to establish where activities/interventions should apply and by whom to ensure no gaps and no overlaps.</p> <p>RC noted need to review alongside Ofwat’s review of the customer code of practice to prevent any additional onerous obligations being added to the market codes.</p> <p>NP agreed with RC’s comments and noted customer behaviors are driven by market forces and over regulation may create negative effects.</p>

	<p>RC argued therefore GS.3 should be moved to Pot 4 and considered in wider discussions with Ofwat and CCW.</p> <p>SK echoed AR's comments noting MPF being designed to support other regulatory frameworks where responsibilities rest elsewhere. SK noted NP's comments on regulation in particular in respect of smaller customers.</p> <p>Chair noted feedback on GS.3.</p> <p>NP highlighted current prioritisation focused on current frictions in the market and may have value in reviewing against possible future frictions to ensure MPF future proofed.</p> <p>Chair noted the risk register created for the MPF which will be regularly reviewed and assessed for inclusion within the MPF moving forward as part of its ongoing governance.</p> <p>NP highlighted a number of activities require a qualitative approach e.g., R-MeX which may require some governance in terms of detailing the approaches taken to these to ensure completed in a robust manner.</p>
<p>7</p>	<p>Introduction to Intervention tools (post it notes version)</p>
	<p>AR ran through the exploration of intervention tools summary noting the hierarchy detailed by AS (pre-entry, regular, discretionary)</p> <p>AR continued by reviewing the 'post-its' relating to 'Publishing individual performance' followed by 'Publishing peer comparison'.</p> <p>AR highlighted on each slide the nuances identified.</p> <p>AR displayed the 'Penalty/under performance payments' slide noting the candidate tools and the nuance regarding appeals.</p> <p>AR continued with the 'Reward/Out performance payments' noting penalty payments are not a given within the new framework and therefore funds for out performance payments may not be available and therefore may include discounts for good performance instead.</p> <p>AR ran through 'Two-way payments (penalty and reward)' noting the timings which could be applied and the nuance of the treatment/use of excess penalty charges e.g., MIF.</p> <p>NP enquired if these considerations in respect of a 'fund' is the remit of PAG or should this be for Strategic Panel to determine.</p> <p>AR replied need to understand if the tools designed could create an excess and if so take a view what might happen to those monies and who might take the decisions on how those monies are used.</p> <p>TN rejoined the meeting.</p>

SK enquired if nuance around relative performance as opposed to absolute standards had been considered.

AR noted the feedback.

KR noted the rewards being capped and enquired if no trading parties were under performing no payments would be made and thus no funds available to make reward payments on an enduring basis.

AR noted the questions posed on slide 46 (Reward/out-performance payments) and the need to consider those in depth.

NP noted previous discussions on underperformance payments/reward payments based almost on simply holding a license in the market.

AR noted the need to take a conservative approach to ensure the above does not occur.

Chair suggested setting a standard performance and if all parties are performing at that level to switch to relative performance.

RC highlighted need to consider each tool in practical terms.

AR confirmed will be included within consultation 2 as part of the next steps.

AR moved onto 'Education' noting the first 3 post-its were widely supported.

TN noted the attrition rate of staffing within trading parties and therefore training may be a wasted effort unless additional controls to ensure new staff are trained also. Additionally, where a small team exists the individual who has the training may not be available and therefore that expertise is lost for a period of time.

AR noted need for easy access to training materials to assist with this and the competence checks would need to be sufficiently regular to maintain required levels.

NP noted the opportunity in respect of online training and highlighted the intervention is likely to be competency checks and an obligation on trading parties to provide access to the training offered. NP further noted audit would be suitable to ensure competency in undertaking tasks covered by the training.

AR noted the potential link to the reassurance process.

TN further noted whether an extension of the reassurance process would be for the trading party to pay for any required training and that resource could then be added to the online library of training resources.

AR noted members linking the interventions and whether penalty payments could be utilised to pay for training modules in particular where a market wide risk has been identified.

AR continued with 'Additional metric monitoring' highlighting could be utilised as trigger metrics.

JJ ran through the 'Audit and Assurance' post-its noting the nuances including onsite v desk topped reviews and 3rd party auditors v self-certification.

JJ continued with the 'Rectification Monitoring and escalation' candidate tools highlighting the nuance of need for clear framework of escalation steps.

TN noted rectification may work in tandem with audit and assurance and may arise as a result of any audit as an audit on its own may not be sufficient.

JJ ran through 'Compensatory payments' candidate tools noting one-off awards may require a decision-making body and a predetermined level of charges.

NP highlighted the feedback already provided in this regard and asked for insight as to how the compensatory payments may work.

SK noted potential to include caps on compensatory payments and the need for caution when considering these tools.

AR agreed with SK and the need for caution when considering.

AR highlighted where a Wholesaler is not actioning process it should this negatively impacts the Retailer's ability to deliver service to their customers and increases costs for the retailer and therefore should Wholesalers pay into a pot to cover that.

AR highlighted a compensatory payments scheme operates within the electricity codes utilising a collection mechanism with a genuine pre estimate of loss as a standard charge under the contract.

JF left the meeting.

TN noted if customer awards are made from the wholesaler via the retailer this incurs a cost to the Retailer and this should be considered. TN also cautioned this may make Retailers wait for compensatory payments to customers from wholesalers and thus delay response to end customer.

AR noted TN's feedback.

AB highlighted customer awards already exist via GSS standards and may require close alignment with Ofwat to ensure no duplication. AB also highlighted customers request additional compensation beyond that currently specified under GSS.

NP supported AB on the GSS related payment and noted the idea of compensatory payments to customers is valid.

NP noted need for proportionality in creation of customer awards. May require consideration alongside the outperformance payments etc.

RC noted all theoretical options at this stage and need to establish what change is desired and what behaviour is being sought to establish which tools to take forward.

JJ ran through 'Limitation of services/access rights' noting some discussion already held earlier in the meeting.

SK commented on credit cover adjustment and whether this requires more detailed consideration as it may move the responsibility.

Chair noted post-it note version shown today and at next PAG meeting one page versions will be shown.

	<p>JJ confirmed next steps: -</p> <p>Creating one-page summaries</p> <p>Go through summaries at PAG15.</p> <p>Send out as pre-reading for feedback and endorsement at PAG16.</p> <p>JJ requested members share feedback in advance if further thoughts on post-it note version.</p>
8	Intro review middle tier activity templates
	<p>AS confirmed homework undertaken on top tier.</p> <p>MOSL to apply similar principles to middle tier and these will be sent to PAG members following the meeting for transparency.</p>
9	Any other business & upcoming meetings
	<p>TN enquired if more detail was available about the content of consultation 2.</p> <p>AR confirmed consultation 2 is intended to include 3 key elements: - candidate tools, metrics high-level overview and the decision making that will need to be taken in relation to each of those tools which brings in the process and governance section.</p> <p>Chair noted consultation 2 will not be on the actual full framework.</p> <p>AR noted can include at the next PAG (15) an illustration of how the examples may work.</p> <p>Chair noted the next two PAG meetings: -</p> <p>PAG15 – 8 February</p> <p>PAG16 – 22 February</p> <p>Chair thanked members again for their feedback and for their time during the meeting.</p>