

Minutes of the Performance Advisory Group 20

5 July 2023 – 10:00 to 12:00

MEMBERS PRESENT

Emily Jerrome	EJ	Water2Business	Michael Rathbone	MR	Severn Trent
Jamie Davies	JD	Castle Water	Kate Russell	KR	Yorkshire Water
Wendy Monk	WM	Wave	David Morris	DM	Waterplus
Trevor Nelson	TN	Business Stream	Adam Boyns	AB	CCW
Gillian Bladen	GB		Jon Fuller	JF	Wessex Water
Shaun Kent	SK	Ofwat			

OTHER ATTENDEES

Chris Dawson	CD	MOSL (Chair)	Adam Richardson	AR	MOSL
Janet Judge	JJ	MOSL	Evan Joanette	EJo	MOSL
Sam Webb	SW	MOSL	Lisa-Ann Lott	LAL	MOSL (Notes)
Adrian Smith	AS	MOSL	Oliver Robins	OR	MOSL
Steve Formoy	SF	MOSL	John Gilbert	JG	MOSL
Phoebe Nixon	PN	MOSL	Miles Robinson	MRO	MOSL

APOLOGIES

Kevin McCalliskey	KM	South West Water	Claire Yeates	CY	Waterscan
Neil Pendle	NP	Waterscan			

ACTIONS FROM MEETING(S)

NO	Action required	Action by	Action Date

1	Welcome & Actions from previous meeting & update
	<p>The Chair welcomed attendees to the meeting, noted apologies and confirmed the agenda and introduced OR.</p> <p>All actions remain open as due dates 1 September 2023 prior to consultation 3.</p> <p>Chair displayed the progress to date noting key work being undertaken.</p> <p>EJ confirmed Activities details to be published by COB 7/7/23</p>
2	Worked examples update
	<p>JJ ran through worked examples update having provided an update on the metrics consolidation criteria noting the opportunity provided to members to provide feedback.</p> <p>JJ thanked members for feedback provided noting a metric cannot improve trading party accountability or customer outcomes it can only provide information on whether a particular activity or outcome is being delivered. Additionally general comments on whether the metric measures the performance of the activity and taking these points into consideration, two criteria are being replaced with one which is – will the metric measure/identify the performance/delivery of the activity.</p> <p>JJ began the worked examples update with a recap on the purpose of the examples and the logic applied.</p> <p>TN queried the escalation when a trading party was no longer on the ‘happy path’ noting currently MOSL have significant control over intervention about performance e.g., can set up APIs, set up audits and/or holistic reporting etc., whilst the slides imply, moving forward, the trading party will move through the governance body and MOSL will no longer have control of the performance.</p>

EJo noted the feedback and confirmed a number of discretionary interventions will be included to complement the work of the governance body however there is a need to be explicit when explaining this.

TN recommended the tolerances could be set on an annual basis in line with the MPOP and strategic priorities enabling MOSL to intervene at certain stages making it clear when it moves to the governance body.

JJ continued with a walk through of the example provided against activity GS.9 noting the differences between the happy path, unhappy path and the very unhappy path.

JJ ran through a schematic of an illustrative timeline of the above with the three potential paths.

CD enquired if the worked examples will be utilised for explanations, JJ confirmed the slide pack will be used for that purpose alongside further details.

EJo noted potential for a 'better than' happy path/rewarding path which may be worth considering and detailing. JJ agreed this would be worth exploring for certain circumstances where a trading party could exceed performance.

JJ thanked members again for their feedback and ran through them where feedback has led to updates noting further details will be added in advance of consultation 3.

JJ confirmed specific targets will not be included at consultation 3 as these will not have been determined however indications may be provided.

JJ noted the feedback on the visuals of the timeline and in particular in regard to the movement from one path to another and confirmed will work with comms colleagues to update to make clearer.

EJ recommended noting on the timeline where the decision points are whether that be automated escalation or governance decision. AR noted this relates to TN's earlier comments and should be incorporated for the discretionary layer.

TN noted could describe these as high-level examples or could delve into detail of when parties will move from one path to another, and this may be required for consultation 3.

KR enquired is there an intervention where the governance seeks to determine if all parties are on the happy path. Is that intervention required or should it be updated. EJ agreed if all parties are 'green' potentially the MPF is not particularly challenging.

CD confirmed the governance will regularly review this for whether items should still be included/are still required.

	<p>JJ noted the feedback of ‘what happens if intervention 4 does not result in acceptable improvements?’ confirming this will be made clear in further worked examples.</p> <p>EJ queried if the use of the word discretionary will generate questions in the next consultation given the governance framework currently does not show when a discretionary intervention would be used over a standard one.</p> <p>AR noted the need to explain the governance that supports the framework and the differences between standard and discretionary tools and when/where these would be utilised.</p> <p>AR further noted where examples are provided, and the interventions have been exhausted it is important to show ‘what happens next’ which may include handing over to the regulator.</p> <p>CD summed up noting the feedback and discussions received from members and the improvements to the worked examples which will be updated prior to publication.</p>
<p>3</p>	<p>Update on tools</p>
	<p>OR provided an update on tools in a similar manner to the metrics update provided at the last meeting. OR noted the update relates to methodology as opposed to the end design however all feedback is welcome.</p> <p>OR began with an overview of the approach to shortlisting the tools noting the tool selection is based on alignment with the MPF reform programme principles and shortlisted tools must be effective, clear and consistent and provide value for money.</p> <p>OR confirmed intention to select 12-15 tools for development from the 45 candidate tools initially shared for consultation 2.</p> <p>OR highlighted the shortlist of tools is expected to include both standard and discretionary tools. Standard tools will be deployed regularly regardless of performance however discretionary tools will be deployed in the event of non-compliance or underperformance and could be deployed in stages.</p> <p>OR displayed the early candidates to discard at this stage: -</p> <ul style="list-style-type: none"> Primary charges discount Credit discount Credit cover adjustment Limitation of central systems access Removal of voting rights <p>OR asked members for feedback should they believe any of these tools should remain.</p>

TN noted could be discounted from the MPF however could be retained by the future performance monitoring group for use to escalate to Ofwat as suggestions/recommendations for action.

SK agreed, however Ofwat would not want their discretion to be fettered but would accept suggestions. SK noted all those recommended for discard seemed sensible and there could be other reasons for discounting the Wholesaler ones relating to total revenue control.

OR confirmed model and rationale to be shared at future meeting.

TN noted need to look horizontally as well as vertically at tools e.g., if a large number of trading parties are failing and require audits there may not be resource to complete these and thus fall outside of the criteria of value for money and feasibility.

KR highlighted the need to consider if all parties are on the happy path. Is there a requirement to review the activities and the metrics and should this exercise be considered in the worked examples.

AR thanked members for their questions noting the answers to the queries posed will come from having identified the areas of focus with the 9 activities and the optimum metrics. AR further noted this will require subsequent work on 'what is satisfactory performance' which will be taken forward following consultation 3.

GB enquired will activities/tools/metrics be tested against current performance and thus testing the requirements/volumes of interventions.

CD confirmed where possible the above can be covered using anonymized data with PAG.

TN enquired what is going to lead the overall framework? MOSL business plan (£XM has been allocated as a maximum to MPF) or Market Performance is currently at this level and therefore £XM is required to have an appropriate MPF?

AR noted will likely need to be reviewed annually or against performance periods and will need to consider the requirement for MOSL to provision for X number of audits, X number of escalations etc. and what will be needed to manage that. This may not be from a specifically ring-fenced pot, however, will be included in the planning accordingly.

TN noted it should all be about market risks and in dealing with any given risk is the MPF the right way to mitigate the risk or is there a cheaper, more effective, better way to mitigate that risk outside of the MPF.

TN further noted the above could include regulatory intervention such as BR-MeX or the codes of practice.

	<p>JD enquired when in the timeline the activities, metrics etc. will be reviewed against the codes and consideration given to whether they are sufficient or if they are part of the issues that need to be solved.</p> <p>AR replied there will be an enduring requirement and benefit from the MPF or review at regular intervals and this will include whether under performance/level of non-compliance is as a result of the codes.</p> <p>JD noted it may be more cost effective to update the codes rather than including an activity.</p> <p>AR confirmed detailed design work will include this review post consultation 3.</p> <p>JD further noted would want to see as much incentive as possible to do the right thing as there are penalties for non-compliance.</p>
<p>4</p>	<p>APIs/Incremental improvements</p>
	<p>MRO provided an update on the incremental improvements noting a similar update had been provided at the contract managers' meeting in late June.</p> <p>MRO highlighted the timeline for the change in this regard: -</p> <p>Code Change Committee July Market Performance Committee July Code change consultation in July/August Seek Ofwat approval in November. Implement between Nov 23-Jan 24</p> <p>MRO ran through the solutions being proposed as part of the upcoming code change detailing which wider objectives they are meeting e.g., improving accountability, maximizing use of the bilaterals hub, ensuring requests are resolved and addressing long-term issues.</p> <p>SK enquired instead of removing obligations on retailers why are obligations not being imposed on Wholesalers.</p> <p>MRO replied due to other workstreams including an audit of the bilaterals hub and the data cleanse work it was not appropriate timing to impose obligations on Wholesaler at this stage.</p> <p>AR added the APIs are doing is removing some of the charges but not removing the obligations, fundamentally wholesaler are responsible for resolving those Bilaterals request to enable Retailer to read the meters.</p>

	<p>CD highlighted the changes encourage the retailers to raise the requests via the Bilateral hub placing the onus on the Wholesaler to take action and an SLA.</p> <p>TN offered support of solutions two and three but noted solution one related to standards which do not add anything and are benign. TN recommended if Code Change Committee challenged timescale or work required solutions two and three should be prioritised.</p> <p>TN further noted the potential for discussion on bulk submission of requests and pressure on wholesalers thus requiring early signaling of timescales to ensure right resources in place to action.</p> <p>MRO noted the feedback regarding bulk submissions and confirmed work being undertaken regarding deferral and audit to understand this. MRO further noted with regard to holistic reporting discussion is ongoing regarding the potential removal of long unread meters included within the Bilateral hub from the reporting.</p> <p>EJo confirmed the above is under consideration but may require a more complex technical solution.</p> <p>CD confirmed the need to ensure early communication of the timescales involved to enable Wholesalers to be proactive.</p> <p>MR noted the need to ensure deferrals are managed/reported to prevent SLAs for both the Wholesalers and Retailers being suspended and no action taken on behalf of the customer.</p> <p>MRO explained when the implementation occurs it will be against a certain state of the transaction within the Bilateral hub and thus should be able to negate any negative use of the deferrals.</p>
<p>5</p>	<p>AOB</p>
	<p>CD confirmed next meeting scheduled for 26 July with the agenda to include the metrics and tools. There being no other AOB the Chair closed the meeting.</p>