



Performance Advisory Group (PAG) 24

Location: MS Teams

Date and time: 6 December 2023, 1000 - 1200

Status of minutes: FINAL

Meeting Minutes

Members

Name	(Initial)	Role/Organisation
Gillian Bladen	GB	South West Water
Adam Boyns	AB	CCW
Claire Stanness	CS	Wave
Clare Garland	CG	UU
Geoffrey Jones	GJ	Pennon
Jamie Davies	JD	Castle
Karina Soulyha	KS	Southern
Kate Russell	KR	Yorkshire Water
Emily Jerrome	EJ	Water2Business
Shaun Kent	SK	Ofwat
Wendy Monk	WM	Wave
David Morris	DM	Waterplus
Trevor Nelson	TN	Business Stream
Mike Rathbone	MR	Severn Trent
Rebecca Gale	RG	Waterscan
Shakima Fagan	SF	Everflow
Ryan Simmons	RS	South West

Commented [HP1]: This is a legal requirement to denote who the members are in attendance

MOSL Attendees

Name	(Initial)	Role/Organisation
Chris Dawson	CD	Chair
Evan Joannette	EJo	Programme Lead
Lisa-Ann Lott	LAL	Notes
Oli Robins	OR	Presenter



Janet Judge	JJ	Observer
Sam Webb	SW	Observer
Steve Formoy	SFo	Observer
Nichola Vincendeau	NV	Observer
Adam Richardson	AR	Observer
Amanda Hinde	AH	Observer
Huw Comerford	HC	Observer

Apologies

Name	(Initial)	Role/Organisation
Jon Fuller	JF	Wessex
Kevin McCalliskey	KM	South West

1.	Welcome & actions
	<p>CD welcomed all members to the meeting and confirmed the agenda noting this is the first of the workshop style PAG meetings.</p> <p>CD explained the workshop style meetings will work through strawman processes gaining feedback from attendees using their expertise to influence and input into the solutions.</p> <p>CD confirmed first session to focus on governance.</p>
2.	Workshop on governance & associated processes
	<p>OR provided an update on the current position noting the objective to have clear and consistent governance to provide robust oversight on the effectiveness of the market. This includes measuring the delivery of key activities and deploying rectification measure where necessary. Key principles include being agile and light touch, supporting market evolution and providing strategic direction.</p> <p>OR noted the concept of four governance levels were outlined in consultation 3. First level is MOSL, responsible for the day-to-day application of the MPF, second level Performance assurance committee (PAC), third level Strategic Panel and level four Ofwat.</p> <p>OR highlighted the focus of the workshop will be on the bespoke processes.</p> <p>OR continued the overview noting the bespoke processes were included in consultation 3 and were broadly supported. MPF2.0 contains a different model with regard to key indicators or key metrics and these will be associated with target performance levels reflecting 100% performance is unrealistic and there is a need for a percentage allowance for failure accounting for things outside of trading party control.</p> <p>OR further noted targets will be determined on a case-by-case basis and for each KPI and will need to evolve over time with performance and risk highlighting these will be maintained by the PAC outside of the codes and the process for updating these will be defined in the codes.</p> <p>CD confirmed the review in the workshop will contain three processes.</p> <p>OR confirmed three processes all of which define a non-code change process but with the process steps themselves defined in code.</p>

OR noted considerations for the workshop session: the target performance levels and the development of market indicators and additional metrics and the likely triggers for change and whether those triggers need to be formalised into code including who is responsible for preparing the case for change and how those changes are communicated and implemented.

OR displayed the process flow for the first bespoke process; change the target performance levels for KPIs noting the KPIs will be defined in code but the target performance levels will be defined and maintained in a separate document to maintain agility and flexibility. The change process will also be defined in code and the steps on the process flow follow a similar process to a code change however the PAC makes the final determination as opposed to the Code Change Committee and Ofwat.

OR highlighted the example triggers for change detailed in the process flow and explained the process which would be followed if a case for change was considered worthwhile.

TN enquired whether beginning with governance was the right place to begin shouldn't a risk based MPF begin with KPIs in relation to risks. TN further commented would expect the trigger for change to be at the review at the end of performance periods and would be an industry review facilitated by MOSL against an updated risk register to establish if KPIs are still appropriate.

EJ highlighted the need to link the outputs of each workshop session with the risk/success criteria to ensure processes and KPIs developed meet the key principles outlined by the MPF reform programme.

OR confirmed a future workshop will contain the key documents and processes on the key activities which includes reflecting on the risk and issues tracker and whether any new KPIs need to be introduced or any changes to the target point levels.

OR moved forward with discussing whether a consultation would always be required regardless of the magnitude of the change to the target performance levels and how this would be defined in code and whether there is flexibility for the PAC to not always consult if they do not consider it necessary.

RG highlighted need to ensure when reviewing underperformance, if all parties are underperforming, need to be outward facing i.e., what does this mean for customers not simply what does this mean for the market. This is the same for consistent overperformance.

CD noted consultation including customer representatives would be important to ensure the outward facing review is taken into account.

TN noted the costs associated with design of MPF2.0 as detailed in the Strategic Panel papers (November 2023). Need to ensure cost/benefit allowance alongside benefit to the customer.

CD noted TN's comment and the associated costs of changing a KPI including a potential consultation.

EJo enquired if RG suggesting if market looks inward may lower a target which would affect the customer.

RG clarified difficult as underperformance may not be a trading party issue it may be due to external factors or the processes. The PAC should consider if consistent underperformance across all trading parties or bright spots where trading parties have mitigated the issues and others have not.

SF noted operational impacts when KPIs change would need to involve consultation and what the costs/feasibility to implement to conform within the measures.

OR noted the flexibility within the process and changes may not relate to performance levels and wider framework allows the review to encompass the wider context.

TN noted need to consider whether levels are set correctly and tools are doing the right thing before considering making any changes to a KPI.

OR enquired where a change is determined to a performance level what notice period/advanced warning would trading parties expect to receive i.e., when the PAC make the decision to change, most likely linked to performance period review, how many months/weeks advance notice of the change would be needed.

CS noted notice period to trading parties of any changes will depend on the type of change to be made as some may require up to 6 months. OR noted will need to be queried in any consultation relating to a change.

CS further noted similarly consultations will depend on the magnitude of the change.

CS recommended a RAG status within the KPIs for when they need to be changed what consultation and/or notice periods would be required for a change.

EJo suggested RAG status of red for financial penalties, amber for peer comparisons, green for reporting.

TN noted the time lag involved when Ofwat required to authorise change following a code change process when a KPI needs to be changed thus may not be practical during a

performance period. TN further noted KPI change may link to performance periods and allows for consultation and/or notice periods.

CD highlighted KPIs attracting financial penalties may link to the performance periods with more holistic KPIs being able to be more agile.

OR highlighted the discussion of focused on the process to change the performance levels for a KPI not changing the KPIs themselves. OR noted all KPIs will be codified and thus code changes will be required and likely linked to performance periods and only likely to change outside of this due to force majeure events.

OR ran through the process flow to change market indicators and additional metrics noting will follow similar process to changing performance levels however consultation period not required.

EJo enquired if this can be related to anything which exists at present.

OR confirmed the additional metrics are similar to the APIs in the current framework and those are currently tied to the MPOP (Market Performance Operating Plan) and evolve over time.

TN reiterated the need to consider the cost element within the case for change and whether it represents value for money and fits with the design criteria associated with the MPF.

OR noted this would be included within the proposal MOSL put to PAC for their consideration.

TN enquired if PAC would hold a budget or if the costs will come from MOSL's budget as determined in the business plan each year.

OR confirmed PAC will not be a budget holder and any decision will involve two-way communication with MOSL to ensure the costs are taken into account.

EJo enquired if any additional indicator or market indicator would have special preference when considering new potential KPIs.

OR confirmed this could be the case however it would have to go through the code change process. It would be possible to choose to initiate a KPI as an additional indicator or additional metric in the first instance to establish the evidence base before implementing in the long-term.

WM noted the need for transparency. It is identifying how the market is to perform and proving metrics and detail which enables overall performance to be seen and for trading

parties to see how they compare in order to improve and thus focus needs to be on being simple and easy to understand.
OR noted attempting to map the communications points and methods to ensure the process remains transparent.

Members generally agreed with the need for transparency.

CD noted if a proposal can be made for the PAC meetings to have an open invite to ensure transparency.

EJ noted whilst PAC meetings may not be an open invite all trading parties can request to attend as observers at the Chair's discretion.

OR ran through the bespoke process flow for publishing peer comparison noting the PAC will decide on which KPIs map to which type of peer comparison and who has access to the data, public or industry only.

OR provided two options; one in which all KPIs will always be reported publicly through peer comparison and PAC's decision to remove KPIs from peer comparison would only be in exceptional circumstances. The second option allows for the mapping to change frequently with MOSL making recommendations to PAC to approve or reject publication.

OR further noted at the inception of a KPI it would be presented behind closed doors to industry only at the start and over time would be included in the publicly available peer comparison.

CG asked for clarification on how whether the data takes into account number of SPIDs for peer comparison.

OR confirmed will be included in a future workshop to ensure public peer comparison created to compare like for like parties. OR noted would expect PAC to decide on a KPI basis how the data is presented e.g., wholesale region, market level etc.

TN noted a preference would be for Option 2, acknowledging option 1 provides full transparency however with all data presented customers may not understand what is being published and option two provides a more incentive based behavioural approach to the MPF.

Members generally agreed a preference for option 2.

EJo encouraged members to review the metrics document which had been published as intention to normalise results was indicated.

KR noted option 1 could work provided the output was simple enough and clear to customers; very clear, very transparent, very easy for lay people to read.
AB noted key element of how often details are published and desire to be open and transparent as per option 1. Customers should benefit from incentivised improved performance and consultants aiding customers will understand the publications.

OR noted will be dependent on meaning of public peer comparison and KPIs will be reported on a monthly basis however could be published less frequently.

CS noted it is how it is presented to the public, need to avoid industry jargon to ensure transparency whilst still enabling customer understanding.

SF noted KPI publications act as reputational incentive and should not be within PAC's remit to change the KPIs and enquired what an 'opportunity for intervention by higher authority' as detailed on the process flow looks like; does the PAC have accountability to the strategic panel as this is a strategic decision.

OR noted 'opportunity for intervention by higher authority if required' acknowledges there are other groups which could be involved however at present mapping KPIs to different types of peer comparison is considered to be a tactical decision not strategic.

NV explained current MPC have delegated responsibility from the Strategic Panel at present and the proposed PAC will be similar to current MPC in that regard.

GB highlighted difficult to choose without looking at individual KPIs noting peer comparison serves two purpose, trading parties what to ensure they are high up in league table and from a customer perspective it could influence if they wish to switch retailers thus meaning KPIs should remain consistent.

GB noted no strong preference for either option but would err to towards option two until seen in practice.

SK noted from a regulatory perspective the preference is for full transparency unless concerns around commercial confidentiality. However, despite some KPIs not being immediately comprehensible by customers some parties have consultants to aid with interpreting the data.

OR queried if using option one what would be the exceptional circumstances which would cause a KPI to be retired from public view.

Ejo reiterated whilst customers may not fully understand the data, they often have representatives who can interpret it for them and there is recognized value in peer comparison.

	<p>TN agreed with Ejo on the public comparison noting CCW publish complaint data for households even though customers do not have a choice and thus comparison is a powerful incentive for wholesalers and where a retailer operates predominately in one wholesale area and that wholesaler is struggling this could have a direct correlation on retailer performance.</p> <p>OR noted an exceptional circumstance for not publishing could be if MOSL identify an issue with the running of the KPIs and would therefore withdraw it from public view for a time.</p> <p>CD noted force majeure events may also result in removing from public view.</p> <p>CD highlighted during COVID reporting was still published however the charging mechanism was suspended.</p> <p>JJ noted if PAC determined a KPI was not driving the correct behaviours this could result in it being withdrawn from public view in advance of going through the code change process to be retired completely.</p> <p>CS suggested in the event of force majeure reporting should be suspended entirely as opposed to simply not published as this would be more transparent than reporting just for the market.</p> <p>AB noted need to ensure before removing items that the context is explained and may not be correct to remove from publication prior to a Code Change Committee decision as this would not be transparent.</p> <p>TN enquired if the other elements of governance will be covered or if MOSL have taken as read the tiers etc. OR confirmed will be covered in next steps.</p>
<p>4.</p>	<p>Next steps</p>
	<p>OR ran through the upcoming workshop sessions and the proposed content for each: -</p> <p>20 December – MOSL to present back on bespoke processes and review composition, roles and responsibilities of the different governance layers in more detail.</p> <p>New Year – performance periods; key documents that have to be produced as part of those, the process for getting those approved, the communications that go out.</p> <p>End of January – implementation approach i.e., current ways of working with MPC transitioning to PAC and the new governance structure and the timetable for this.</p> <p>February/March – detailed design of tools and metrics to begin.</p>

	<p>TN enquired if the workshops would include the comments received via the consultation e.g., a high acceptance rate or any of the suggestions.</p> <p>OR confirmed the detailed feedback will be included in the sessions and how it has supported the proposed models.</p> <p>CD enquired if members found the workstyle useful. Members generally agreed the workshop style was useful.</p> <p>AB enquired if process flows could be provided in advance moving forward. OR confirmed whenever possible this will be the case and the slide deck will be forwarded and published.</p> <p>CD noted OAG style being utilised with first view at the meeting and the slides being forwarded to attendees for further review and comment.</p> <p>Ejo reminded members of the MPF reform mailbox and encouraged members to comment via the email.</p>
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5.	AOB
	There being no AOB the Chair closed the meeting