

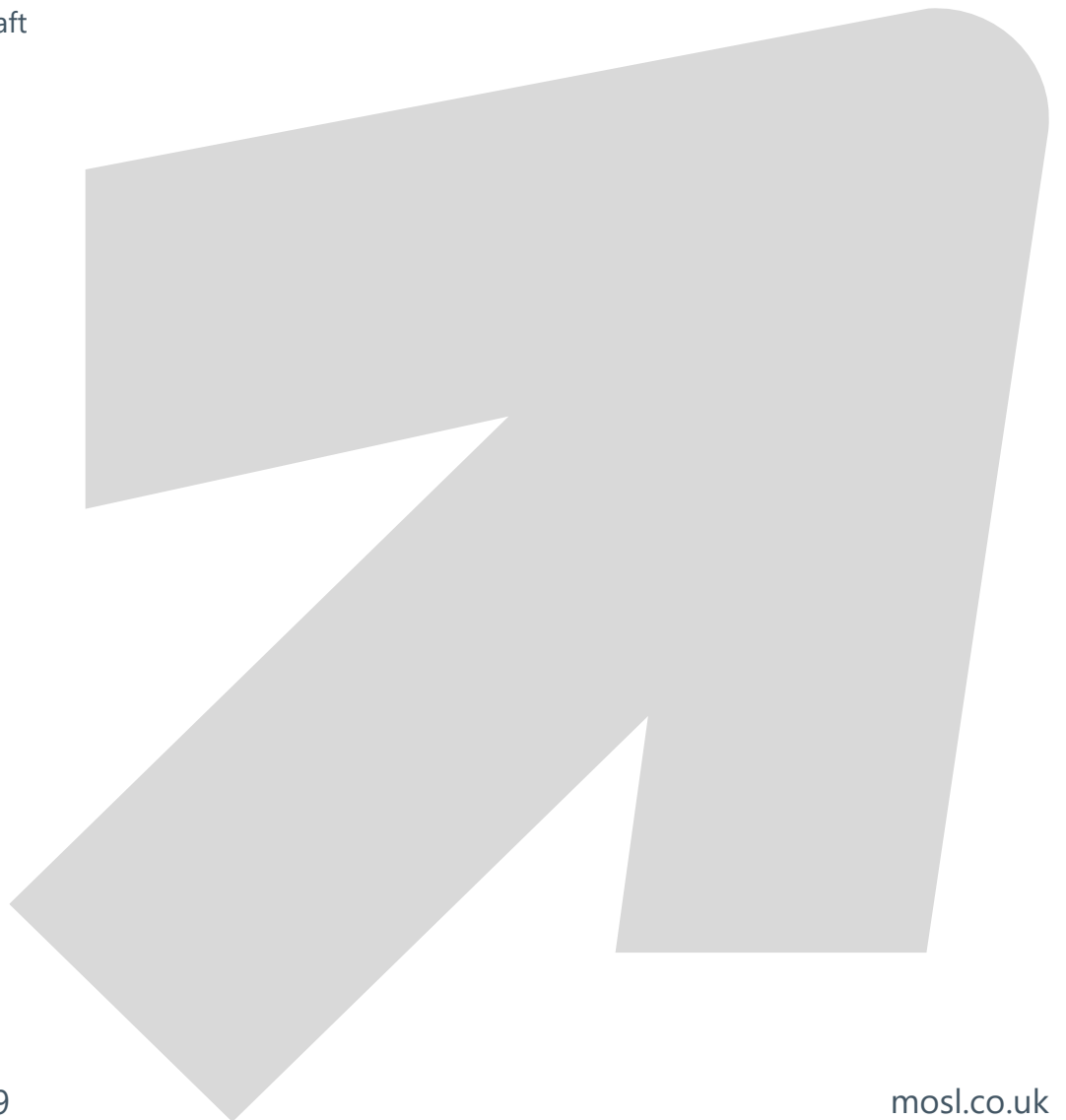
Performance Advisory Group (PAG) 24

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Location: MS Teams

Date and time: 8 November 2023, 1000 - 1130

Status of minutes: Draft



Meeting Minutes

Members

Name	(Initial)	Role/Organisation
Gillian Bladen	GB	South West Water (Alternate)
Adam Boyns	AB	CCW
Jamie Davies	JD	Castle
Jon Fuller	JF	Wessex
Emily Jerrome	EJ	Water2Business
Shaun Kent	SK	Ofwat
Kevin McCalliskey	KM	South West
Wendy Monk	WM	Wave
David Morris	DM	Waterplus
Trevor Nelson	TN	Business Stream
Mike Rathbone	MR	Severn Trent
Rebecca Gale	RG	Waterscan

MOSL Attendees

Name	(Initial)	Role/Organisation
Chris Dawson	CD	Chair
Evan Joanette	EJo	Programme Lead
Lisa-Ann Lott	LAL	Notes
Janet Judge	JJ	Observer
Sam Webb	SW	Observer

Apologies

Name	(Initial)	Role/Organisation
Kate Russell	KR	Yorkshire Water

1.	Welcome & actions
	<p>CD welcomed all members to the meeting and confirmed the agenda.</p> <p>CD ran through the programme overview noting CPW144 seeking Ofwat decision in November.</p>
2.	Consultation feedback & next steps
	<p>JJ provided an overview of the consultation feedback noting 25 responses split 14 wholesaler and 11 retailers along with a response from Sefton Council (self-supply) and The Energy Consortium (3rd party).</p> <p>JJ ran through the responses per question: -</p> <p>Question 8 – Overall, to what extent do you support the proposed components of the revised MPF?</p> <p>JJ highlighted 81% (22 responses) were supportive or very supportive with a further 11% (three responses) which were neutral with two responses that were unsupportive.</p> <p>JJ confirmed, of the two unsupportive parties one expressed concerns whether the reform fundamentally moved the dial and the other believed the proposed components were insufficiently defined to be able to support at this time.</p> <p>JJ noted the opportunities for parties to be involved in the detailed design moving forward which should enable parties to have confidence in future.</p> <p>Question 10 – Are there any Activities you think should not be included?</p> <p>JJ confirmed 74% (20 responses) responded that no activities needed to be removed.</p> <p>JJ noted three retailers suggested activities to be removed and questioned how Activity A4, unplanned events would be quantified without a KPI. Additionally, retailers questioned potential issues/problems with apportioning failure for activities with shared responsibilities and suggested this may necessitate removal.</p> <p>Question 11 – Are there any Activities that should be added?</p> <p>JJ highlighted 70% (18 responses) of respondents did not recommend the addition of any activities.</p>

JJ noted suggestions by one party of 'retailers resolving complaints in a timely and efficient way' should be added. Additionally, suggestions made of, for retailers 'non-household customer satisfaction' in a similar manner to C-MeX and 'the service retailers provide to wholesalers' similar to R-MeX.

JJ also noted the suggestion relating to end-to-end performance of bilateral requests and in particular where auto closed due to retailer inactivity.

Question 14 – Overall, do you believe that the Activities meet the eight success criteria?

JJ noted for each section a similar question is asked and for question 14; 74% (20 respondents) agreed. Of the four who disagreed two retailers indicated activities A4, A5 and A6 didn't meet the success criteria of simplicity and accountability.

JJ highlighted one retailer did not believe the case had been made for meeting the success criteria generally and one noted the activities are not new and the MPF reform did not address current market frictions.

TN checked if disagreements received from wholesalers not retailers as per the slides. MOSL to check and revert.

Question 15 – Are there any Metrics you think should not be included?

JJ noted spread of comments across the metrics 59 comments from 18 parties.

JJ further noted only 31% of metrics received more than one comment to remove and none received more than four.

JJ highlighted detailed comments received will aid the detailed design moving forward.

Question 16 – Are there any Metrics that should be added?

JJ highlighted 13 parties proposed 16 metrics to be added. 75% (12 metrics) were proposed by single parties with 19% (three) having two proposers. The most common proposal being a KPI around emergency contact details for Activity A4: unplanned events.

JF noted generally positive response overall and metric feedback to be expected at this stage. It might change once reviewed after detailed design when trading parties can understand the maths et al behind them.

Ejo noted the messaging coming from the overall feedback and confirmed will be reviewed as part of the detailed design phase.

Question 20 – Overall, do you believe that the Metrics meet the 8 key success criteria?

JJ confirmed 74% (20 responses) agreed or partially agreed the proposed Metrics meet the success criteria.

JJ noted where parties disagree the Metrics meet the success criteria this is generally based upon not meeting the simplicity criteria. Additionally, one wholesaler and one retailer suggested the Metrics do not meet the value for money criteria.

Question 21 – Are there any Tools that should not be included?

JJ ran through the responses to question 21 noting 63% (17 responses) did not believe any Tools needed to be removed.

JJ highlighted compensatory payments were raised by other respondents to not be included as the coordination of them would be a significant resource pressure.

JJ noted a further respondent had indicated the assurance statement may replicate the certificate of adequacy retailers submit annually to Ofwat and another believed market entry assurance should not be included.

Question 22 – Are there any Tools that should be added?

JJ highlighted only one possibility for a tool to be added noting the trading party who had suggested this had not specified the tool but suggested may be required if other metrics established.

Question 24 – Do you have a preference for compensatory payments or performance charges?

JJ noted strong preference for performance charges. General agreement further work required on how compensation payments could work to ensure simple enough to meet the success criteria.

Question 28 – Overall, do you believe that the Tools meet the eight key success criteria?

JJ confirmed 85% (23 responses) agreed or partially agreed the Tools meet the success criteria.

JJ highlighted one retailer indicated without further strengthening of tools for wholesalers they were unlikely to meet the success criteria for improved customer outcomes, improved trading party accountability and be transparent and proportionate.

Ejo confirmed the disagreements against question 14 are from retailers and thus the graph should be updated accordingly. MOSL to update and republish.

Question 29 – DO you agree with the four levels of Governance as detailed?

Ejo confirmed no significant disagreement with the governance levels and highlighted development and changes will begin with the governance as it's the least controversial element.

Question 31 – Do you agree with the principle of operating on a multi-year 'Performance Period'?

Ejo noted overwhelming positive feedback on adopting a defined performance period with 88% of responses agreeing. Ejo further noted the flexibility to add market metrics or additional performance indicators sooner than the three-to-five-year period was well received.

Question 34 – Overall, do you believe that the Governance framework meets the 8 key success criteria?

Ejo confirmed overwhelmingly positive response regarding the governance meeting the success criteria.

Question 35 – Implement in one go (big bang) or phases?

Ejo noted the responses to this question had been followed up in discussions at User Forum noting trading parties had indicated not wanting penalties, public peer comparison and performance charges implemented in phases and would prefer a date is chosen for this new regime to begin e.g., 1 April 2025.

Ejo further noted trading parties had indicated a shadow period, of between 6-12 months, during which items could be tested would be useful.

Ejo highlighted programme will continue to work with the market on the implementation and will look to the success of the Bilaterals programme.

Question 38 – Some of the MPF activities and metrics could be candidates for BR-MeX ...thoughts?

Ejo noted generally responses indicated BR-MeX should include elements of MPF which reflected feedback already received by Ofwat at their earlier workshop.

	<p>Ejo confirmed not all elements of the MPF will be included in BR-MeX only a small selection of specific metrics.</p> <p>SK enquired for those respondents who had stated BR-MeX should not include MPF elements did they indicate why.</p> <p>JJ confirmed responses indicated whilst MPF and BR-MeX are both intended to incentivise performance the difference between the two may warrant them remaining separate to avoid any uncertainty and lack of clarity.</p> <p>Ejo concluded the feedback by noting engagement with the consultation was very good and a significant volume of feedback had been received highlighting the form of the consultation and the webinars and the optionality of the majority of questions.</p> <p>Ejo reiterated 81% of responses are supportive or very supportive of the proposed model and most trading parties had indicated noting is missing from the proposed model.</p> <p>Ejo thanked PAG members for their input in advance of the consultation to bring the proposed model forward.</p> <p>TN enquired how MOSL are going to interpret the results of the consultation noting the responses will contain an uneven number of retailers and wholesaler responses.</p> <p>Ejo noted TN's query and confirmed detailed design will take account of feedback received and will be worked through in workshop style format in a similar manner to that used for the Bilaterals Hub programme.</p> <p>TN further enquired if the underlying data will be published for use during the workshops and for transparency.</p> <p>Ejo confirmed the responses will be published in full and be available for use at the workshops.</p> <p>CD further confirmed the above and noted the information will likely also be supplied in advance of each workshop session to enable attendees to review in a similar manner to that used for the Operational Advisory Group (OAG).</p>
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<p>3.</p>	<p>PAG format & cadence for phase 2</p>
	<p>CD confirmed full business case (FBC) to be reviewed for approval by Strategic Panel on 9 November.</p>

CD ran through the proposed revised PAG format noting the open attendance workshop style similar to OAG moving forward.

CD confirmed the FBC also proposes the use of the Code Advisory Group (CAG) for the detailed code design to match the framework moving forward.

CD highlighted the principle will be of a minimum of reviews; Strawman created, feedback from SMEs at the workshops, reworked and reviewed again at a second workshop then passed to the CAG for code drafting, published for wider market review, return to CAG for recommendation before being presented to Code Change Committee and Ofwat.

TN enquired if draft design proposal will be created by MOSL only or will PAG be included and how will the wider group work noting most successful PAG meetings were when documents provided in advance for review.

CD confirmed the process outlined had been used successfully with OAG throughout the Bilaterals Hub programme and would often include the advance circulation of the strawman which would be developed by MOSL SMEs as a starting point for discussions.

TN noted the use of previous programme's approach however raised concern the MPF is different to the implementation of the revised MPF in particular with regard to incentivisation and penalties which could be emotive for trading parties.

TN reiterated the suggestion of including wider membership in creating the initial strawman and providing details in advance of the workshops.

JF confirmed OAG approach has worked well and on occasion smaller sub-group/working groups of market SMEs have been used to aid the creation of the strawman and thus MOSL could take same approach for MPF.

Ejo confirmed MOSL will review the approach to ensure not onerous but providing reassurance to the market.

CD further confirmed the above and noted first element to be considered is the governance of the MPF.

SK enquired if more complex elements are sequenced in the timetable to ensure sufficient time in the event of reworking.

CD confirmed greater length of time apportioned, in particular, for financial elements.

SK further enquired if sufficient time provided for system build noting likely to be the case given other elements factored in.

	<p>Ejo noted SK’s enquiries and confirmed will be under review during detailed design phase.</p> <p>EJ enquired how strict the deadlines are. Ejo confirmed 1 April 2025 is a strict deadline at present however could be challenged if required.</p> <p>SK noted the potential mitigation in respect of timelines by involvement from market participants through the workshops and involvement from Ofwat throughout enabling more developed code changes with stronger rationale to be submitted.</p> <p>CD noted the intention to utilise the CAG moving forward and the workshop style PAG meetings was designed to mitigate any potential issues with timelines and this had worked well for the Bilaterals hub Programme.</p> <p><i>TN enquired why the programme had been split into as many phases and recommended creating less phases and thus less code changes as a potential mitigation.</i></p> <p><i>CD noted MOSL will need to discuss with Ofwat and the Code Change Committee which approach may be the most appropriate in respect of number of code changes.</i></p> <p><i>MOSL to review and revert.</i></p> <p>JF noted for Bilaterals using smaller more frequent code changes enabled revisions to take place if required whereas a larger set of code changes may have made this more difficult.</p> <p>SK enquired how the phasing will be built into the defacto big bang approach of launching on 1 April 2025.</p> <p>Ejo confirmed the intention for penalties to become live on 1 April 2025 (defacto big bang) however phased approach in the build-up with shadow reporting etc.</p>
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<p>4.</p>	<p>AOB</p>
	<p>CD confirmed next meeting on 22 November will begin the detailed design and workshop style.</p> <p>JJ confirmed first workshop style meeting will cover governance and then move onto tranche 1 of the metrics and tools.</p> <p>Ejo enquired if PAG members are content to meet on 20 December. Members generally agreed available.</p>

	<p>LAL informed members of vacancies on Strategic Panel, Code Change Committee and Disputes Committee should members wish to apply or recommend any of their colleagues.</p>
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	<p>There being no other AOB, Chair closed the meeting.</p>
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