

# Market Performance Framework

***PAG Workshop on Governance  
(Roles & Responsibilities and  
Performance Periods)***

10 January 2024

A photograph of a person's hands typing on a laptop keyboard. The laptop screen displays a presentation slide with a light beige background and a white border. The slide features the text 'MARKET VALUE ADDED' in large, bold, black letters, with each word on a separate line. Below this, there are two lines of smaller text containing hashtags: '#search #business #concept' and '#keywords #design #innovate'. The laptop is on a wooden desk, and a pen is visible to the right.

**MARKET  
VALUE  
ADDED**

#search #business #concept  
#keywords #design #innovate

# Agenda

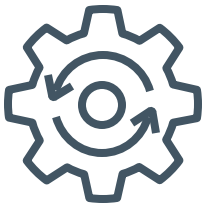
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	Item	Presenter	Time
1	Welcome & update	Chair	5 mins
2	Recap on roles and responsibilities	Janet Judge	55 mins
3	Introduction to performance periods	Oli Robins	55 mins
4	Upcoming PAG workshop(s) & AOB	Chair	5 mins
			<b>Total: 2 hours</b>

# Housekeeping



1. Welcome all

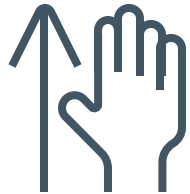


2. Workshop format

Minutes and slides

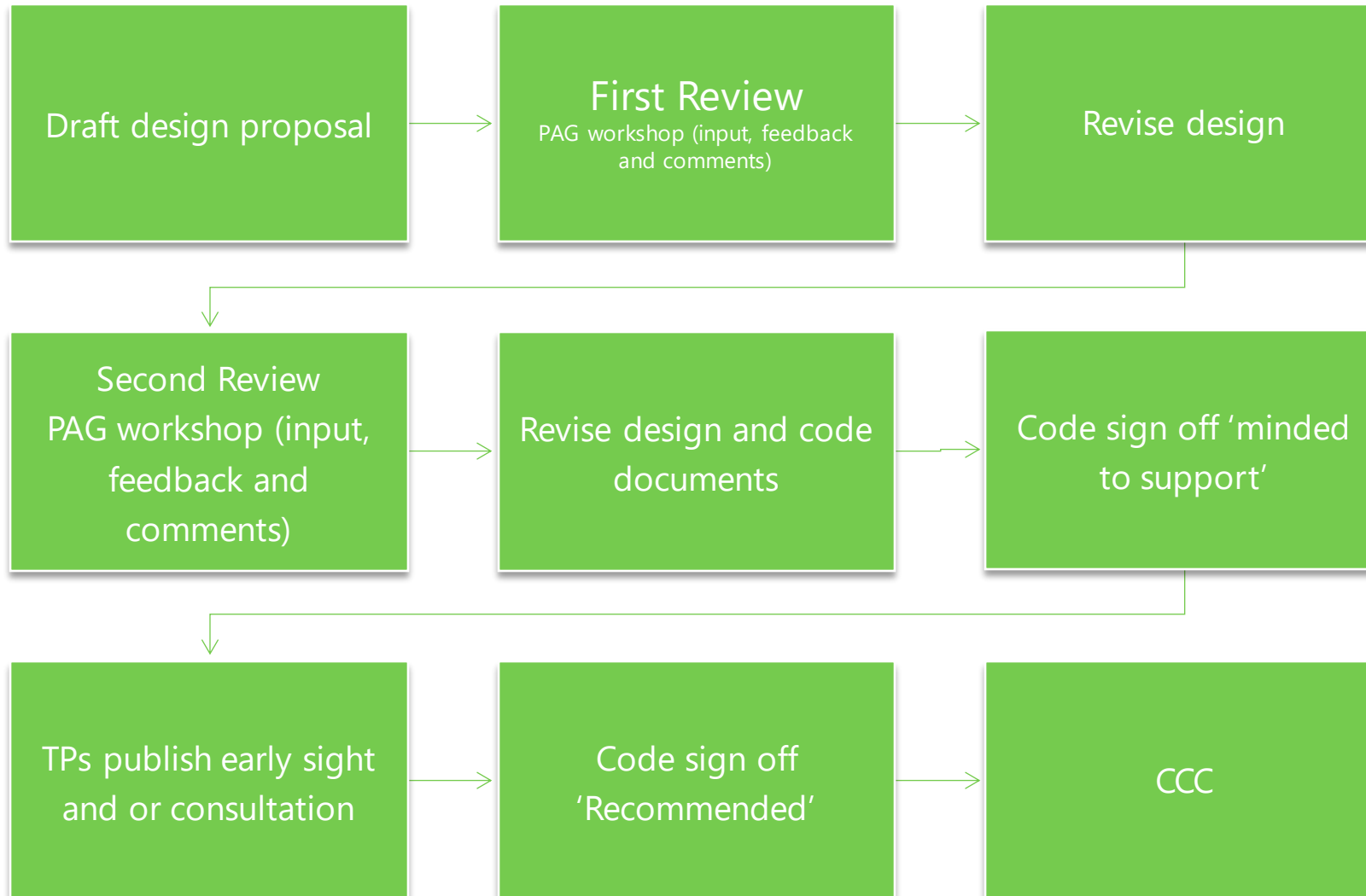


1. Please introduce yourself



2. Chat and Questions

# Detailed design Approval signoff





# Key design principles (1/2)

## 1. KPIs

- How each KPI is defined and calculated (and how any associated charges are calculated if applicable) will be set in code.
- KPIs can only be created, removed or changed through code change.

## 2. Target Performance Levels

- Target Performance levels for KPIs (apart from those which are used for BR-MeX incentives) will be defined outside of code. The PAC is responsible for maintaining these (see process flow from previous workshops on slide 31).
- The code will set out the steps that must be followed for PAC to change these. Changes must be consulted on, and parties must be given notice of changes. -> **How much notice is sufficient? Should the code set a limit on the magnitude of change?**

## 3. Other metrics

- Market Indicators and Additional Metrics will be defined and maintained outside of code (see process flow from previous workshops on slide 32). The PAC is responsible for these (API process today is driven by MOSL).
- The code will set out the steps that must be followed for PAC to change these. Parties must be given notice of changes -> **How much notice is sufficient? Must changes be consulted on?**

## Key design principles (2/2)

### 4. Performance Assurance Committee (PAC) meetings

- PAC will meet quarterly as standard. During its induction, and in exceptional circumstances, PAC may meet more regularly.

### 5. Reporting metrics

- KPIs will be presented through public peer comparisons which directly rank parties against each other, with the target performance level clearly called out.
- The PAC may remove peer comparisons from public viewing in exceptional circumstances (process flow from previous workshops on slide 33).
- Additional Metrics and Market Indicators can be presented on dashboards are publicly accessible, but there will be no direct ranking or parties against one another. The PAC may request ranked views of these metrics.

### 6. BR-MeX

- Only KPIs can be used to inform BR-MeX incentives.
- Where Ofwat has chosen a KPI for BR-MeX, its link to BR-MeX will be set in code, and so will its target performance level.
- Such KPIs will be reported through MPF peer comparisons but will not incur penalties or rewards through the MPF (although it may still require a Wholesaler to directly compensate a Retailer).
- Where performance on a KPI used in BR-MeX is low, Ofwat will determine the best course of action/intervention.
- The relevant KPI and its link to BR-MeX cannot be changed outside a code change.

## Objectives for this section (roles & responsibilities)

1. Recap where we are
2. Confirm roles and responsibilities at a high level with the PAG
3. Discuss any further comments, questions or areas of concern



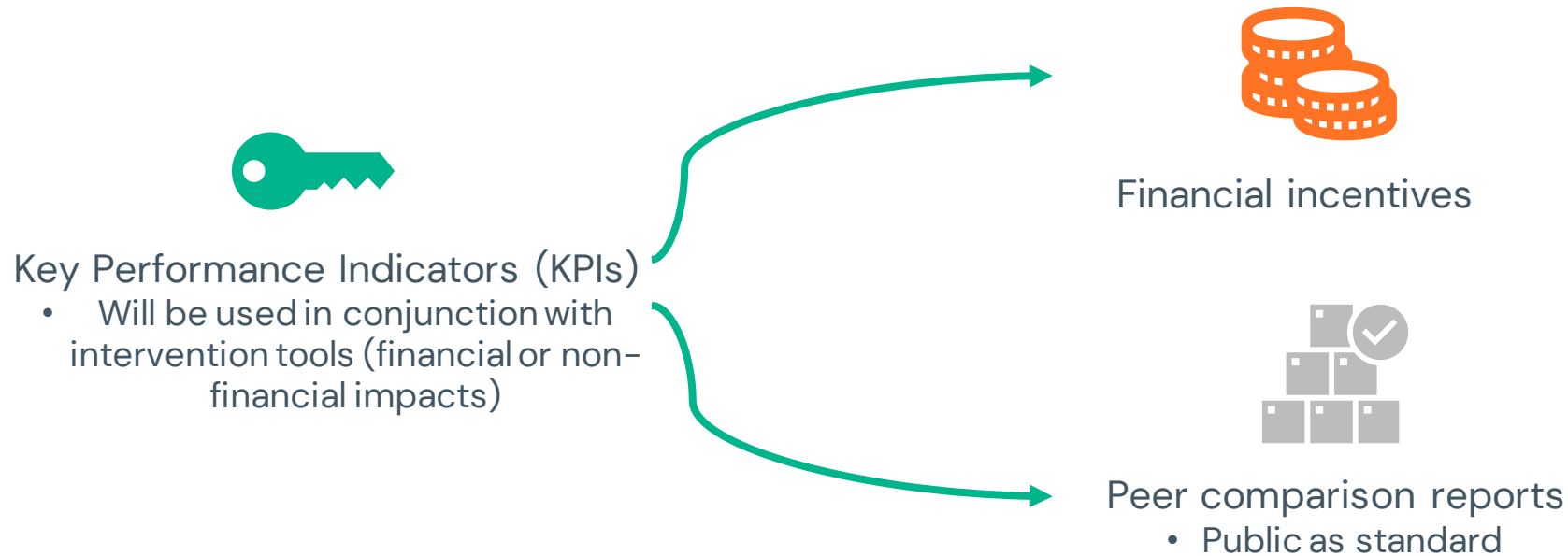
## Guiding principles applied in this section (roles & responsibilities)

1. **Promote and enable market self-governance by having Trading Party expertise, customer and other stakeholder experience on the committee.**
2. **Obtain insights from independent members so decisions are holistic, robust, balanced (i.e. do not favour any one Trading Party or class of Trading Parties) and learn lessons from other sectors.**
3. **Ensure decisions are delegated as 'close to the ground' as appropriate to facilitate timely decisions and effective use of resources.**
4. **Provide timely translation of strategic direction into practical application.**

Extract from consultation 3: Governance

# Mapping metrics to tools (I)

The most impactful tools



# Mapping metrics to tools (II)

The flexible tools



Additional Metrics and Market Indicators  
• used for monitoring only

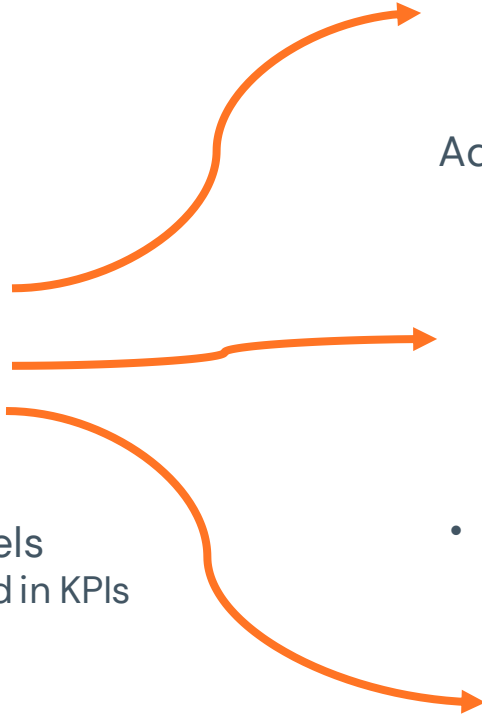
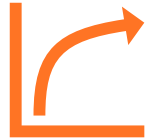


Rectification activities  
• E.g.: letter of concern, rectification plans, escalation to Strategic Panel



Targeted audits

Target Performance Levels  
• Performance levels as required in KPIs



# Mapping metrics to tools (III)

The annual tools



Market entry assurance (MEA)  
\* not yearly but have a defined trigger



Data audits



Assurance statements

# Role of MOSL: operating the tools



Market entry assurance

**1. Administer the MEA and Market Re-assurance processes.**



Key Performance Indicators (KPIs)

**4. Run the calculations for KPIs and financial charges.**



Financial incentives



Data audits



Assurance statements

**2. Conduct data audits and ensure TPs complete the assurance statements.**



Rectification activities

**5. Investigate performance issues with TPs and issue letters of concern before escalation to PAC.**



Peer comparison reports  
• Public or private

**3. Publish peer comparison reports.**



Targeted audits



Market audits

**6. Conduct/arrange for audits**

Any further observations/comments from PAG on the above?

# Role of PAC: flexing the tools



Data audits



Assurance statements

1. PAC can decide NOT to apply these on a given year. Determine actions arising out of non-compliance (see 2-4).



Rectification activities

4. PAC decides which specific rectification activity to use.



Targeted audits



Market wide audits

2. PAC decides if any targeted audits should be applied on selected TPs.



Peer comparison reports

5. PAC can decide NOT to publish peer comparison reports (in exceptional cases).



Additional Metrics and Market Indicators  
 • used for monitoring only



3. PAC decides if any new Additional Metrics and Market Indicators should be created or retired.



Target Performance Levels  
 • Performance levels as required in KPIs

6. PAC can decide to change the target performance levels.

Any further observations/comments from PAG?

# Role of PAC: consultation and rationale

Design element	Consultation feedback	Rationale
<p>1. PAC can decide NOT to apply these on a given year. Determine actions arising out of non-compliance (see 2-4).</p> <p>2. PAC decides if any targeted audits should be applied on selected TPs.</p> <p>3. PAC decides if any new Additional Metrics and Market Indicators should be created or retired.</p> <p>4. PAC decides which specific rectification activity to use.</p>	<ul style="list-style-type: none"> <li>• Not clear what is the role of Strategic Panel if PAC escalates issues to them.</li> <li>• As SP is not close to the performance issues, they may not be able to make a more effective decision than PAC would be able to. The principle of decisions being made at the lowest possible level of governance should prevail.</li> <li>• SP can take on a more consultative role while PAC takes on more responsibility.</li> </ul>	<p><b>SP has delegated performance monitoring to MPC (PAC) to be the responsible body. Hence SP should not need to be involved in the day-to-day decisions of PAC.</b></p> <ul style="list-style-type: none"> <li>• Escalation to SP to use as a last resort for SP to issue a public letter? To be explored in future workshop on escalation tools.</li> </ul>
<p>5. PAC can decide NOT to publish peer comparison reports (in exceptional cases).</p>	<p>Concerned that PAC can make decisions about performance publication of KPIs; this should be a decision by SP or Ofwat.</p>	<p>Peer comparisons are published by default for transparency and to drive improvements. Exception decisions to be made by PAC on case-by-case basis. Performances against new KPIs will have an initial 'bedding in period' before being made public.</p>
<p>6. PAC can decide to change the target performance levels by using a bespoke process.</p>	<p>See earlier PAG workshops on 'bespoke process'.</p>	

# PAC composition

To ensure the PAC can provide effective market-led governance, it is important that there is a balanced view around the table. As such the following composition of PAC members is proposed:

## Proposed composition of PAC

- Chair - MOSL, appointed by Panel (1, non-voting)
- Customer representative (1)
- Independent members (2)\*
- Retailers (2)
- Wholesalers (2)
- Ofwat representative (1, non-voting)
- Market Operator representative (1, non-voting)

In addition to the above, the PAC may also invite non-voting Subject Matter Expert(s) to meetings to support it in its work.

**Quoracy:** Two independent members (i.e. two from the customer representative or the independent members) and two trading party members (of any type). There will be provision for alternates to be used consistent with existing provisions for Panel and CCC to support quoracy and mitigate the risks of conflicts of interest.

**Decision making:** made based on a simple majority.

*\*Previously non-voting members of the Market Performance Committee (MPC)*

## New principles:

- Keep the PAC composition as efficient as is necessary
- Changes to PAC composition are not locked in market codes to give flexibility

## Consultation feedback:

- Concerned with the cost and value of independent members on PAC.
- Asked to increase to 2 customer representatives so that PAC acts in the best interests of customers.
- Three TP reps each from W and R (not two) would be a more useful mix.
- An independent member (not MOSL) should chair the PAC.
- Include a small Retailer group who can be nominated from their own group.
- Quorate should be a minimum of one Retailer and one Wholesaler.
- Monthly meetings would lead to faster rectification (not quarterly).

## MOSL's rationale:

- Independent members challenge existing way of doing things and supply new insights to the market.
- One customer rep as there is a small pool of organised customer groups in the market. Furthermore, this arrangement aligns with the simplicity principle in the market codes.
- Larger committees do not necessarily add more value. The new PAC should be lean and effective. PAC composition will be in TOR (not codes) so there will be flexibility to increase TP reps in future if need be.
- Quorum as such because members have to act independently on the PAC.
- Performance levels are unlikely to change significantly on a monthly basis, but more frequent PAC meetings can be scheduled in if necessary.



# PAC appointment

## Appointment of PAC members

Members would be appointed consistent with the approach followed for the current Strategic Panel and CCC. Nominations would be sought and published.

A Nominations Committee, formed by the Strategic Panel (which may include members from the Market Operator, Ofwat and PAC Chair - once appointed - would review nominated candidates and progress suitable candidates through a selection process, which may potentially include an interview.

The exact process would be outlined at the time.

## Consultation feedback:

- PAC should be elected by TPs, not appointed by Nominations Committee.
- Two MOSL employees on the Nominations Committee may have an undue influence on the selection of TP nominees

## MOSL's rationale:

- Using a Nominations Committee is consistent with how the other Strategic Panel committees are appointed.
- The PAC Chair would be a MOSL-appointed chair, who may not necessarily be a MOSL employee. This is the practice consistent with other Strategic Panel committees.
- By having a MOSL-appointed PAC chair, it would avoid conflict of interests that a TP may experience as PAC chair.

# Role of Ofwat: making the biggest decisions



Key Performance Indicators (KPIs)

- used in conjunction with intervention tools (financial or non-financial impacts)



Financial incentives

**1. Agree changes of financial incentives associated with KPIs (as a product of code changes. This will be the case except for inflationary adjustments).**

**2. Make code change decisions relating to metrics, KPIs and tools.**

**3. Intervenes in cases of licence breach.**

Any further observations/comments from PAG on the above?

## Consultation feedback:

- Ofwat needs to be involved on a more operational level if deployed interventions are not showing results.

## MOSL's rationale:

- Ofwat reps will be standing members of PAC and can provide their advice as appropriate in PAC meetings.

# Performance Periods – consultation 3 proposal

## 5.6 Performance periods and related activities

As mentioned above, it is also proposed that the new framework will introduce the concept of Performance Periods to allow periodic, strategic reviews of the performance of the market and to look ahead at the needs and priorities of the next period.

It is proposed that performance periods would be between three and five years. It will be up to the Strategic Panel to agree their length, timing in relation to the current AMP periods, and whether they should be fixed or vary according to the needs of the market.

Within a Performance Period, there will be a number of activities and outputs, including:

Activity	Description	Frequency
Performance Period Report*	A retrospective review of the performance of the market in the current 'performance period' and look ahead.	Once, early in the final year of every Performance Period
Performance Framework Plan	Produced and published following consultation at least six months before the beginning of the next Performance Period to confirm: length of next performance period; changes to target performance levels and related charges; introduction or retirement of KPI metrics <sup>1</sup> .	Once, prior to the start of every Performance Period
Risk and Issues Tracker	Publication of the market's key risks and issues	Annual
Statement of Approach	Refreshed annually, a short document taking account of the last Performance Framework Plan and the most recent Risks and Issues Tracker to set out how intervention tools will be scaled/used across the coming year.	Annual

\*replaces current Annual Market Performance Review (AMPR) process.

The activities/documents described above will be informed by the desired market outcomes and strategic priorities of the Strategic Panel.



**Provides control, clarity and certainty around levers and scope. Framework will have a greater degree of flexibility than today, but this flex needs to be moderated in a proportionate way.**

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## How are performance periods defined?

Options		
Length	Timing	Responsibility
Fixed length, X years	Aligns to financial years and AMP	Ofwat (length and timing set in code)
Variable – decided by responsible body ( <b>or variable within a defined limit?</b> )	Aligns to financial years but not necessarily AMP	PAC/Panel (process for agreeing length and timing set in code)
Fixed length, X years, variable in certain conditions ( <b>defined or undefined?</b> )	Wholly variable – decided by responsible body	Mixed (standard length and timing set in code with provisions for PAC/Panel to amend)

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## Who produces and publishes these?

Activity	Suggested Responsibilities			
	R (does it)	A (signs off)	C	I
Performance Period Report	MOSL	Panel	PAC, Panel, MOSL	All (public docs)
Performance Framework Plan	MOSL	Panel	PAC, Panel, MOSL, Industry	
Risk and Issues Tracker	MOSL	MOSL	PAC	
Statement of Approach	MOSL	PAC	MOSL	

**PAC will also regularly report to Panel**

# Performance Periods – consultation 3 proposal

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## Core content – is there anything else you would expect to see in these materials?

Activity	Suggestion
Performance Period Report	Summary performance against all metrics, summary application of standard and discretionary tools, and summary of outcomes (successes and lessons learnt).
Performance Framework Plan	Any changes to code components of the framework (i.e., KPIs, charges, and tools) for the next performance period. + Timing and length of next performance period (if not fixed).
Risk and Issues Tracker	Update on the key market risks and issues, including where new risks and issues have been identified.
Statement of Approach	Any changes to target performance levels, market indicators and additional metrics, the expected use of tools (including any changes to peer comparison).  Set out with reference to the latest risk and issues tracker, the current performance framework plan, and recent performance of all metrics and tools.

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## When must these be published?

Activity	Suggestion
Performance Period Report	Before the Performance Framework Plan, and no later than September in the final year of any Performance Period
Performance Framework Plan	After the Performance Period Report, and no later than six months prior to the start of the next Performance Period
Risk and Issues Tracker	Before the Statement of Approach, and no later than March each year (in practice would aim to be earlier to provide good notice for parties)
Statement of Approach	After the Risk & Issues Tracker, and no later than March each year (in practice would aim to be earlier to provide good notice for parties)

**Any other publications to be aware of when deciding timings? E.g., Ofwat state of the market reports**

# Performance Periods – consultation 3 proposal

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## When is the first iteration of these?

Activity	Suggestion
Performance Period Report	Dependent upon timing and length of first performance period. E.g., September 2030 if fixed five years aligned to AMP.
Performance Framework Plan	March 2025 (may need to be an "exception" to the consultation and six-month rule)
Risk and Issues Tracker	March 2025
Statement of Approach	March 2025



# Performance Periods – consultation 3 proposal

## 5.6 Performance periods and related activities

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**Any other comments or questions on performance periods?**

# Upcoming PAG workshop(s)

Date	For discussion	Detail
10.01.24	Performance periods, key documents and processes + updates from 20.12.23	<ul style="list-style-type: none"><li>• Performance periods, key documents and processes</li></ul>
23.01.24	Implementation approach + updates from 10.01.24	<ul style="list-style-type: none"><li>• Overview of current and proposed code architecture</li><li>• Proposed timetable and method of transition for governance</li></ul>
From Feb	MPF Tools	
From Feb/March	MPF Metrics	

# Detailed decisions within Tools (for reflection – to be explored in detail in future workshops)



## Consultation 3 doc

Tool	MOSL	PAC	Strategic Panel	Notes*
<b>Market Entry Assurance (T01)</b>	<ul style="list-style-type: none"> <li>Administer the Market Entry Assurance and Market Re-assurance processes</li> <li>Require that the Contracting Wholesaler and/or the Contracting Retailer carries out Market Re-assurance where Performance Resolution requires it</li> <li>Provide transparency to the Panel through regular reporting; and maintain full and accurate records and evidence of all meetings, correspondence, assurance activities and outcomes</li> <li>Develop and maintain (and publish on its website) key supporting documents, and develop and maintain one or more test environments which can simulate all flows that would normally be received by the Trading Party from MOSL and other parties</li> <li>Offer free-of-charge training</li> <li>Provide and/or procure any resources required to discharge Market Entry Assurance functions</li> <li>Propose potential code changes to PAC (e.g., to change key functions)</li> <li>Responsible for detailed format and branding of any material</li> </ul>	<ul style="list-style-type: none"> <li>Perform such functions in relation to the Market Entry Assurance and Market Reassurance processes as the Panel may delegate to it from time to time</li> <li>Determine to raise material amendments via the code change process where necessary (e.g., to change key functions).</li> </ul>	<ul style="list-style-type: none"> <li>Provide advice, recommendations and support to MOSL on request.</li> <li>Comment or provide advice to MOSL on request in relation to any Market Entry Assurance Plan or Market Re-assurance Plan.</li> <li>Approve the initial and subsequent versions of the supporting documents</li> </ul>	<ul style="list-style-type: none"> <li>Consultation 3 proposed that MOSL would present Market Entry applications and evidence to PAC for recommendation, but this has since been determined to be an unnecessary complication.</li> </ul>
<b>Assurance Statements (T02)</b>	<ul style="list-style-type: none"> <li>Coordinate the issuing and completion of assurance statements from trading parties on a defined frequency (annual as standard). Option to deploy assurance statements in stages across the year; not all statements will be issued and collected simultaneously.</li> <li>Responsible for detailed format and branding of any material.</li> <li>Recommend frequency and scope</li> <li>Recommend and carry out next step actions.</li> <li>Propose potential code changes to PAC where necessary (e.g., to change core content).</li> </ul>	<ul style="list-style-type: none"> <li>Determine frequency (PAC can decide NOT to apply these on a given year)</li> <li>Determine to raise material amendments via the code change process where necessary (e.g., to change core content).</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Consultation 3 proposed that PAC would determine the scope of Assurance Statements, but it has since been determined that the scope needs to be set in code for consistency and clarity. PAC will however influence any next step actions following the use of this tool.</li> </ul>

\*Each tool will be explored in detail in future workshops

# Detailed decisions within Tools (for reflection – to be explored in detail in future workshops)



## Consultation 3 doc

Tool	MOSL	PAC	Strategic Panel	Notes*
<b>Data Audit (T03)</b>	<ul style="list-style-type: none"> <li>Recommend frequency and scope to PAC.</li> <li>Cross validate key data in the central systems against relevant external sources. Procure external auditors and other resources to facilitate audit if required.</li> <li>Summarise and publish findings. Responsible for detailed format and branding of any material.</li> <li>Recommend next steps.</li> <li>Propose potential code changes to PAC where necessary (e.g., to change core frequency).</li> </ul>	<ul style="list-style-type: none"> <li>Determine frequency (PAC can decide NOT to apply these on a given year) and scope.</li> <li>Determine next steps.</li> <li>Determine to raise material amendments via the code change process where necessary (e.g., to change core content).</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Detailed requirements for this tool will be determined through the work of the data cleanse project,</li> </ul>
<b>Peer comparison (T04)</b>	<ul style="list-style-type: none"> <li>Responsible for detailed format and branding of any material.</li> <li>Publish the peer comparisons in the prescribed locations at the prescribed timing each month, satisfying the minimum requirements of format and content.</li> <li>Republish peer comparisons in the event of material errors.</li> <li>Propose potential code changes to PAC where necessary (e.g., to change methodology, or applicable KPIs).</li> </ul>	<ul style="list-style-type: none"> <li>Determine to raise material amendments via the code change process where necessary (e.g., to change methodology, or applicable KPIs).</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Consultation 3 proposed that PAC would determine which KPIs to use for each peer comparison type (from a codified list) on an annual basis. PAG has since suggested that peer comparisons should be public as standard save for exceptional circumstances (which PAC will decide on a case-by-case basis).</li> </ul>

\*Each tool will be explored in detail in future workshops

# Detailed decisions within Tools (for reflection – to be explored in detail in future workshops)



## Consultation 3 doc

Tool	MOSL	PAC	Strategic Panel	Notes*
<b>Financial Tools (T05a Monthly Penalties Funding Annual Rewards for Outperformance &amp; T05b Compensatory Payments)</b>	<ul style="list-style-type: none"> <li>For T05a - Calculate, invoice, and collect penalty payments for applicable KPIs each month, and calculate and distribute outperformance payments for applicable KPIs at years' end, based on codified methodology. Recommend use of excess funds from penalty payment pot to PAC if required (T05a only).</li> <li>For T05b - Calculate, invoice, and collect payments from offenders and distribute payments to affected parties for applicable KPIs each month, based on codified methodology.</li> <li>Responsible for detailed format and branding of any material.</li> <li>Propose potential code changes to PAC where necessary (e.g., to change scale and/or methodology, or applicable KPIs).</li> <li>Potentially administer appeals if an option.</li> </ul>	<ul style="list-style-type: none"> <li>Determine to raise material amendments via the code change process where necessary (e.g., to change scale and/or methodology, or applicable KPIs).</li> <li>Potentially decide on appeals if an option.</li> <li>For T05a - Recommend use of excess funds from penalty payment pot to Panel if required</li> </ul>	<ul style="list-style-type: none"> <li>For T05a - Determine the use of excess funds from penalty payment pot.</li> </ul>	<ul style="list-style-type: none"> <li>The code may need to set out provisions to increment charges to account for external factors such as inflation. These provisions could set out for changes to apply by default, or through decision (in which case the process and responsibilities will need to be defined).</li> </ul>
<b>Additional Metric Monitoring (T06)</b>	<ul style="list-style-type: none"> <li>Determine the feasibility and value of additional metrics and market indicators and recommend creating and retiring metrics. Develop, implement, and remove additional metrics as required.</li> <li>Publish and maintain documents that list additional metrics and how they will be used, and report on additional metrics as required. Responsible for detailed format and branding of any material.</li> <li>Propose next steps based on performance.</li> <li>Propose potential code changes to PAC where necessary (e.g., to change what tools can be applied to additional metrics).</li> </ul>	<ul style="list-style-type: none"> <li>Determine the development, implementation, and removal of additional metrics.</li> <li>Approve documents that list additional metrics and how they will be used.</li> <li>Determine next steps based on performance.</li> <li>Determine to raise material amendments via the code change process where necessary (e.g., to change what tools can be applied to additional metrics).</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>As discussed in previous workshop (6.12.24), changes are most likely to be progressed at part of regular performance period reviews.</li> </ul>

\*Each tool will be explored in detail in future workshops

# Detailed decisions within Tools (for reflection – to be explored in detail in future workshops)



## Consultation 3 doc

Tool	MOSL	PAC	Strategic Panel	Notes*
<b>Targeted Audit (T07)</b>	<ul style="list-style-type: none"> <li>Propose the use of targeted audits in certain circumstances</li> <li>Propose the format and scope for specific Targeted Audits.</li> <li>Carry out audit as required by PAC. Procure external auditors to facilitate audit if necessary.</li> <li>Propose next steps.</li> <li>Responsible for detailed format and branding of any material.</li> <li>Propose potential code changes to PAC where necessary (e.g., to change limitations).</li> </ul>	<ul style="list-style-type: none"> <li>Determine the use of targeted audits in certain circumstances, the format and scope, and next steps</li> <li>Determine to raise material amendments via the code change process where necessary (e.g., to change limitations).</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>In practice, PAC will likely be presented with a schedule of planned audits at the start of each year to endorse. PAC will then adopt a monitoring role throughout the year and be consulted on any changes to the schedule (e.g., if an unplanned audit needs to be applied due to a compliance concern or performance issue).</li> </ul>
<b>Rectification and Escalation (T08)</b>	<ul style="list-style-type: none"> <li>Investigate and discuss performance issues with relevant parties before escalating to the level of PAC and formal rectification.</li> <li>Recommend specific rectification activities.</li> <li>Create rectification plans with affected trading parties and propose these plans to PAC.</li> <li>Monitor, report, and publish progress against rectification plans. Responsible for detailed format and branding of any material.</li> </ul>	<ul style="list-style-type: none"> <li>Determine specific applications of rectification activities E.g., agree to issue a letter of concern, put a party on a rectification plan, or publish rectification status.</li> <li>Challenge and determine rectification plans.</li> <li>Escalate issues to Panel if required.</li> </ul>	<ul style="list-style-type: none"> <li>Issue a public letter of concern if required</li> </ul>	<ul style="list-style-type: none"> <li>Consultation 3 respondents sought clarification on what Panel can do with escalated issues. In exceptional circumstances, the Panel may choose to issue a public letter of concern.</li> </ul>

\*Each tool will be explored in detail in future workshops

# Process Flows

- Example triggers:
- Significant and generally consistent overperformance across the market - targets not stretching enough
  - Significant and generally consistent underperformance across the market - targets unrealistic
  - Force Majeure Events/ change in risks and issues
  - Change requested by higher authority (Panel, Ofwat)

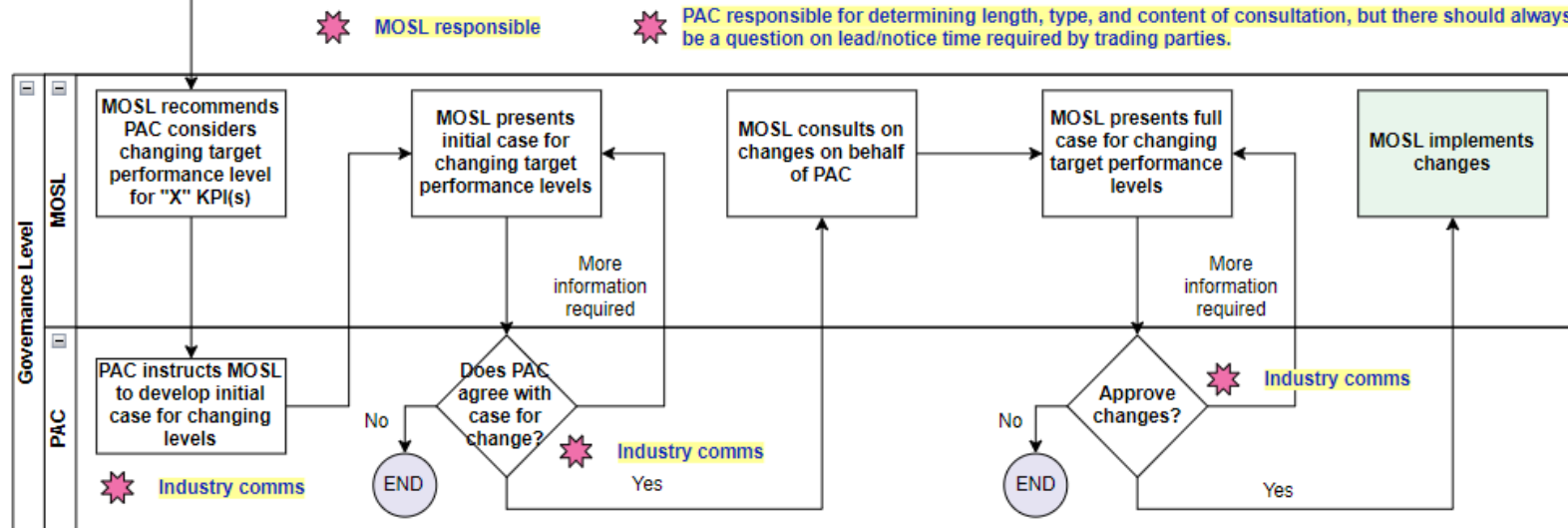
Criteria/triggers to remain at PACs discretion but changes are most likely to be considered as part of regular performance period reviews

## Context - changing target performance levels for KPIs

KPIs to be defined in code (for clarity), but target performance levels to be defined and maintained in a separate document (for agility). Change process to be defined in code - proposed to follow a similar process to code change but with the PAC making the final determination on changes.

Process can be triggered at any point in time, but PAC would require strong evidence of need for change. Targets should not be changing with great frequency (and will most likely be progressed as part of regular performance period reviews).

\*updates from previous workshop (6.12.23) highlighted in yellow



Opportunity for intervention by higher authority if required (Panel, Ofwat)

# Process Flows

- Example triggers:
- Trends in other metrics
  - Findings from discretionary tools
  - Force Majeure Events/ change in risks and issues
  - Change requested by higher authority (Panel, Ofwat)

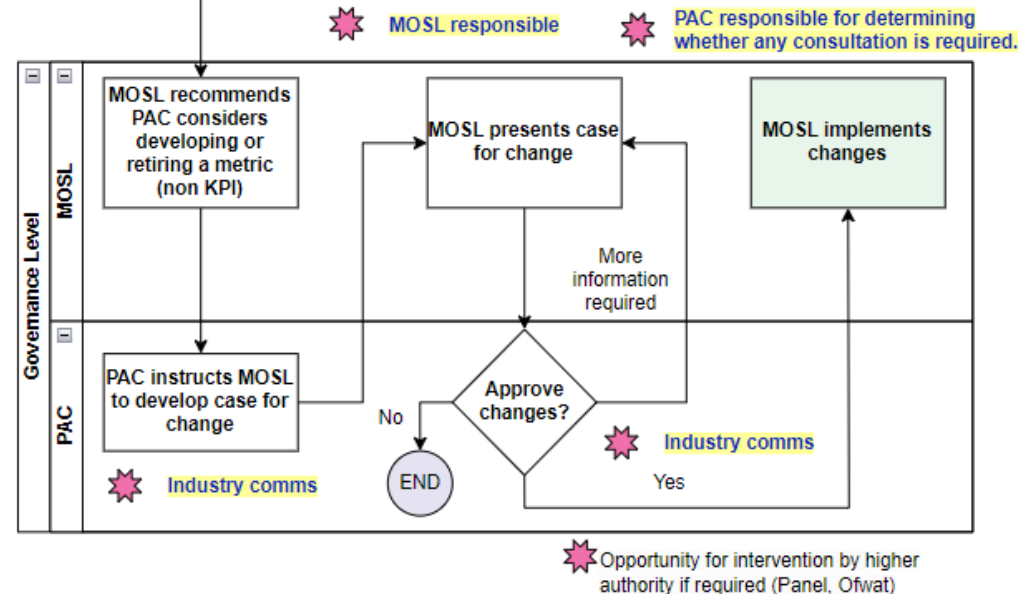
★ Criteria/triggers to remain at PACs discretion but changes are most likely to be considered as part of regular performance period reviews

## Context - changing Market Indicators and Additional Metrics

Market Indicators and Additional Metrics to be defined and maintained outside of the code. Change process to be defined in code - proposed to follow a similar process to that for target performance levels but without mandatory consultation (this can be at the discretion of PAC).

Process can also be triggered at any point in time (but will most likely be progressed as part of regular performance period reviews).

\*updates from previous workshop (6.12.23) highlighted in yellow





# Process Flows

## Context - Publishing KPIs

KPIs to be defined in code (for clarity). **All KPIs to be reported using public peer comparison as standard, but PAC may choose to remove KPIs from public view in exceptional circumstances or as an initial step in retiring a KPI from code.**

\*Separately, at the point of a new KPI being created, these will be initially be reported through industry only peer comparison (as part of shadow reporting)

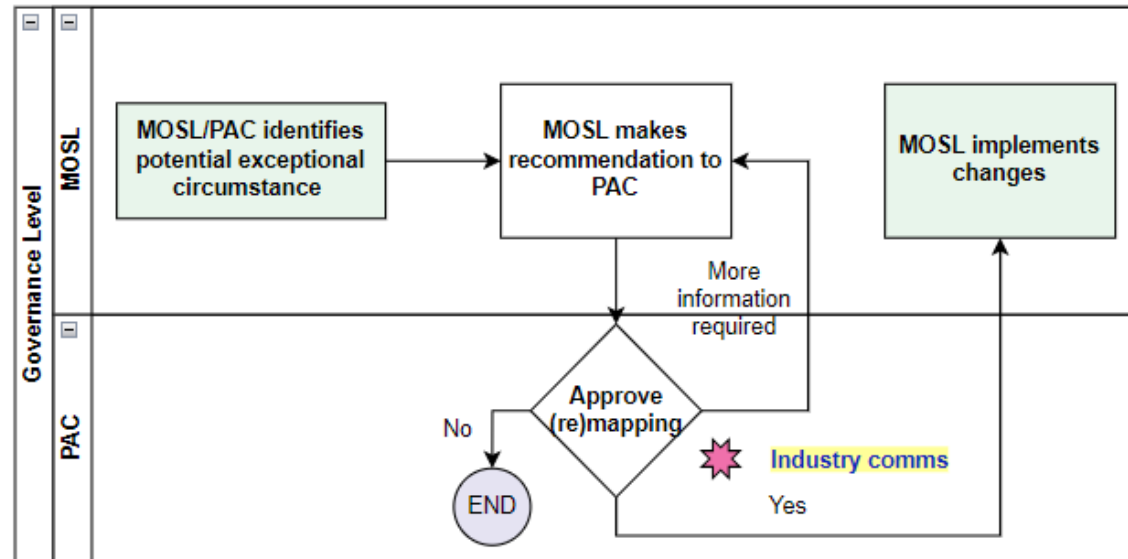
\*updates from previous workshop (6.12.23) highlighted in yellow



**Example exceptional circumstances may be codified but this will not be an exhaustive list.**



**PAC responsible for determining whether any consultation is required.**



**Opportunity for intervention by higher authority if required (Panel, Ofwat)**

**MOSL**

