

# Market Performance Framework

***PAG Workshop on Governance  
(Roles & Responsibilities, update  
on Performance Periods, and  
PAC implementation)***

23 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: '#search #business #concept' and '#keywords #design #innovate'. The laptop is on a wooden desk, and the background is a solid teal color.

MARKET  
VALUE  
ADDED

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

# Agenda

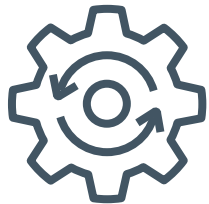
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	Item	Presenter	Time
1	Welcome & update	Chair	5 mins
2	Roles and responsibilities (PAC composition, MO assurance)	Amanda Hinde	35 mins
3	Update on performance periods, key documents and process	Oli Robins	35 mins
4	PAC implementation and code architecture approach	Janet Judge	35 mins
5	Upcoming PAG workshop(s) & AOB	Chair	10 mins
			<b>Total: 2 hours</b>

# Housekeeping



Welcome all



Workshop format

[Minutes and slides](#)

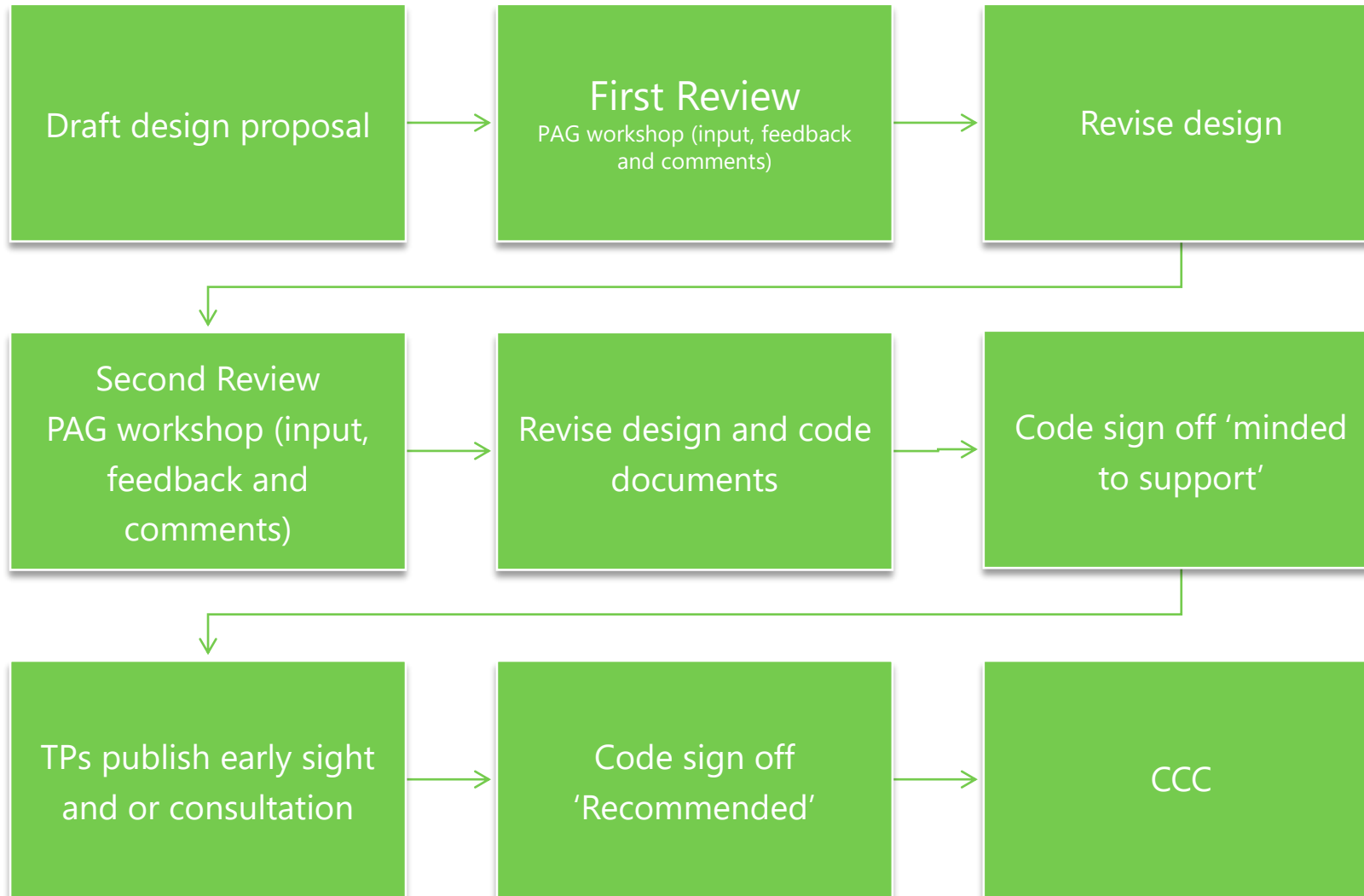


Please introduce yourself

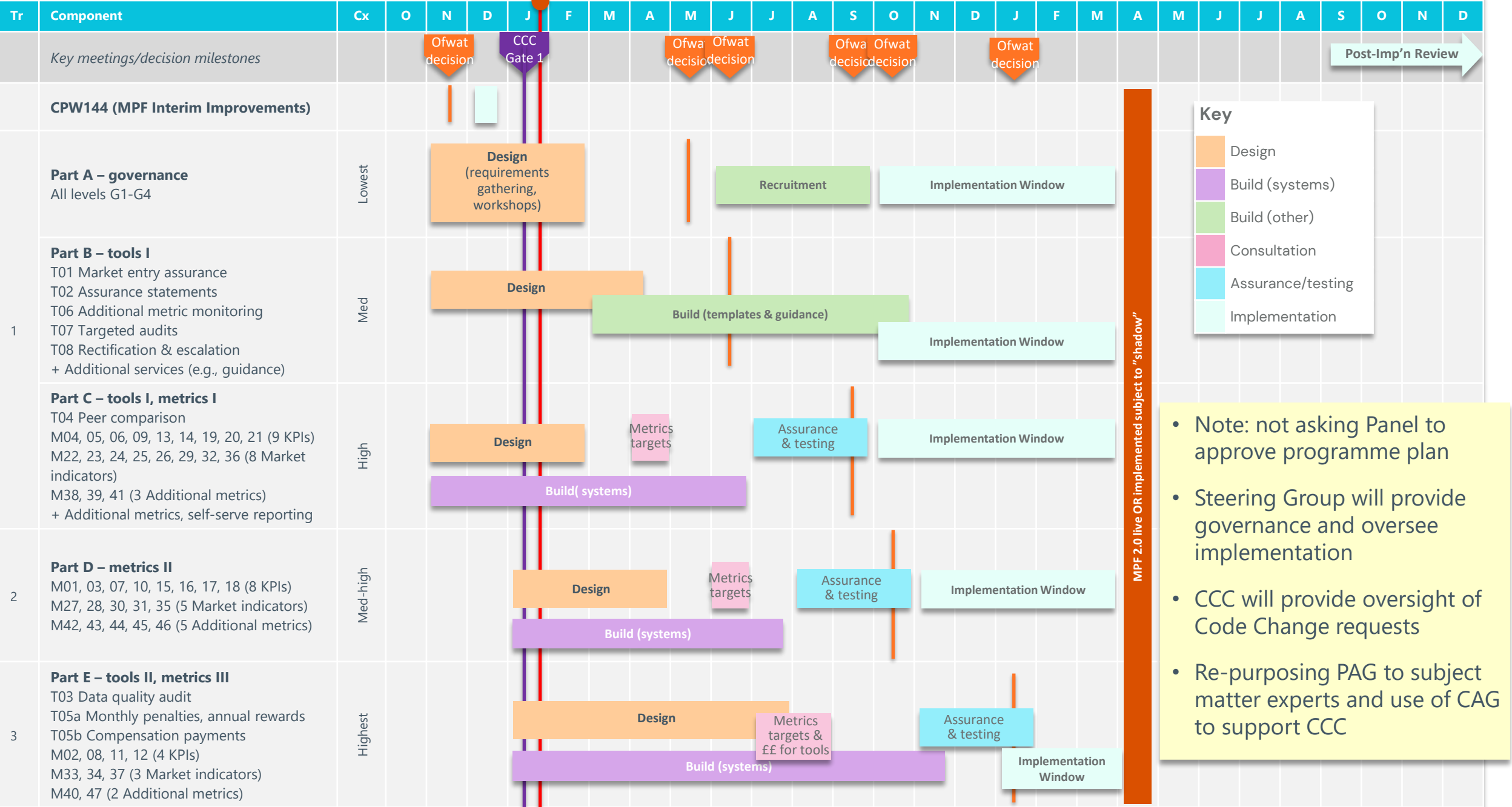


Chat and Questions

# Detailed design Approval signoff



# MPF overview plan



**Key**

- Design
- Build (systems)
- Build (other)
- Consultation
- Assurance/testing
- Implementation

MPF 2.0 live OR implemented subject to "shadow"

- Note: not asking Panel to approve programme plan
- Steering Group will provide governance and oversee implementation
- CCC will provide oversight of Code Change requests
- Re-purposing PAG to subject matter experts and use of CAG to support CCC

# 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 24).
- 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.

## 3. Other metrics

- Market Indicators and Additional Metrics will be defined and maintained outside of code (see process flow from previous workshops on slide 25). 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

## 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 26).
- 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.

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# PAC composition – focus on PAC Chair

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)*

## Feedback/update from last PAG workshop:

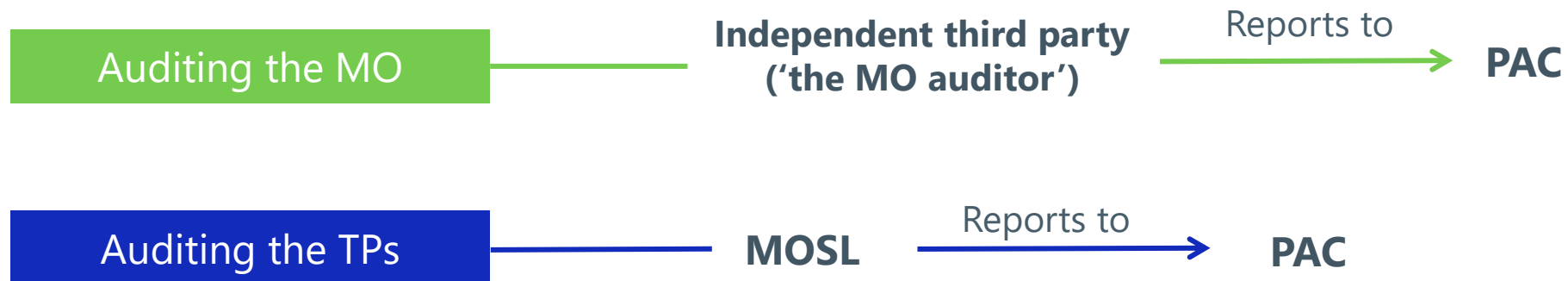
- Mixed response to the idea of a MOSL Chair for PAC.
- Members who opposed have stated that MOSL is already represented on the PAC and having a MOSL Chair will be undue influence. It has also been suggested that there may be a conflict of interest where MOSL is already responsible for operating the framework.
- **What is the criteria for a successful PAC Chair?**
- **Any other preferences and rationale to add?**

## Next steps:

- MOSL will note feedback and will present preferences and rationale to **Panel**.
- Panel will make the final decision, and this will be fed back to PAG.

# MO Assurance

The new MPF model would continue to include mechanisms to assure that MOSL and TPs are meeting their market obligations. **PAC would take over MPC's responsibilities.**



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# 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:



**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.**

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.

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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)

### Feedback/update from last PAG workshop:

- Alignment with financial years is logical
- Alignment with AMP is simplest from the perspective of some KPIs linking to BR-MeX *however*
- Alignment with AMP would set performance periods at five years (at least until AMP were to change) – may be appropriate in the long term but less so initially (e.g., may want to implement MPF 2.0 with a shorter 2/3-year performance period initially).
- Setting any length in code goes against the principle of flexibility - if length was to be variable, Strategic Panel are best placed to make this decision
- Performance periods do not necessarily "lock in" the framework – the code change process can be used to change components if urgently required within periods.

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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	

### Feedback/update from last PAG workshop:

- Whilst the code should define responsibilities for these activities and outputs, it should not overly prescribe the process for producing them.
- For example, MOSL/PAC may choose to consult the industry on some updates to the Risk and Issues Tracker, but it would be disproportionate to require this every time.
- PAC will regularly report to Panel above and beyond these performance periods activities.

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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.

### Feedback/update from last PAG workshop:

- The Performance Period Report will replace the current **AMPR** process whilst the combined effect of the other three activities means that the **MPOP** can also be retired.
- The Performance Framework Plan will also set out the timing of code changes to deliver the plan (not pre-empting any recommendations or decisions from that process).
- There could be a root and branch review of the Risk and Issues Tracker before the start of each performance period – this will help determine the future focus and scope.
- Changes to target performance levels need to be reviewed post-implementation.
- The PAC should also have an effectiveness review built into its TOR.

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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)

## Feedback/update from last PAG workshop:

- The Performance framework Plan, Risk and Issues Tracker, and Statement of Approach all need to be produced/updated before MOSLs business plan is created so MOSL can operate the framework (and any changes made to it).
- Detailed timeframes in code may prove restrictive – focus should be on ensuring MOSL can deliver the framework and trading parties are given proper notice of any changes.
- Other relevant documents to consider when reviewing/evolving the framework: **Ofwats state of the market report**, **CCW's annual non-household complaints report** (this provides evidence on themes of complaints and retailer performance and may provide useful context for Performance Period Reports), and **CCWs Testing the Waters research** (this provides insight into the level of market engagement and may also help inform the level of intervention needed from the MPF).



# 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
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







### Feedback/update from last PAG workshop:

- In practice all of these will need to be produced before the stated timeframes to provide sufficient notice to the industry.

## Any other comments or questions on performance periods?

# Performance Period Activities

Key activities across each Performance Period

Operating		Flexing		
Actors	Monthly/quarterly	Annual		Ad-hoc
		Start of financial year	End of financial year	
<b>MOSL</b>   	Monthly: <ul style="list-style-type: none"> <li>Calculate and report metrics (through dashboards and T04 Peer Comparison tool)</li> <li>Calculate and invoice penalties and compensatory payments (T05a &amp; T05b financial incentive tools)</li> </ul>	<ul style="list-style-type: none"> <li>Present and operate plan for T02 Assurance Statements and T03 Data Audit tools (unless "turned off" by PAC)</li> <li>Present and operate a schedule of audits for T07 Targeted Audit tool</li> <li>Increment charges for T05a &amp; T05b Financial tools if required</li> <li>Update and publish risk and issues tracker</li> <li>Support on PAC's Statement of Approach</li> </ul>	<ul style="list-style-type: none"> <li>Calculate and pay out financial rewards for outperformance</li> </ul>	<ul style="list-style-type: none"> <li>Operate T01 Market Entry Assurance Tool when required for new entrants</li> <li>Create/retire Market Indicators and Additional Metrics as required (T06 Additional Metric Monitoring tool)</li> <li>Operate T07 Targeted Audit tool outside schedule as required</li> <li>Operate T08 Rectification and Escalation tool as required</li> <li>Develop cases to change target performance levels as required, and review changes as required</li> </ul>
<b>PAC</b>  	Quarterly: Meet to review performance and agree deployment of discretionary tools as required  Additional meetings as required by trading party performance	<ul style="list-style-type: none"> <li>Support on update to risk and issues tracker</li> <li>Agree statement of approach</li> </ul>	<ul style="list-style-type: none"> <li>Recommend use of excess funds from T05b</li> </ul>	<ul style="list-style-type: none"> <li>Request and determine cases to change target performance levels as required, and request reviews of changes</li> <li>Request changes to Market Indicators and Additional Metrics</li> </ul>
<b>Panel</b> 			<ul style="list-style-type: none"> <li>Determine use of excess funds from T05b as required</li> </ul>	<ul style="list-style-type: none"> <li>Issue public letters of concern when required</li> <li>Escalate license breaches to Ofwat</li> <li>Require PAC effectiveness reviews</li> </ul>

**MOSI**

Reviewing

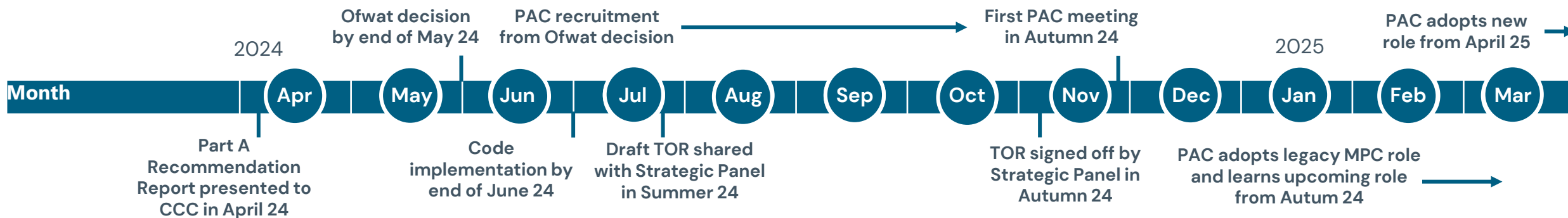
End of each Performance Period
Review Market Performance Framework: <ol style="list-style-type: none"> <li><b>Performance Period Report</b> Retrospective review of current period. Core content to include:               <ul style="list-style-type: none"> <li>Trends in KPIs and other metrics</li> <li>Use of standard and discretionary tools (success and lessons learnt).</li> </ul>               Signed off by Panel             </li> <li><b>'Root and branch' review of Risks and Issues</b>                May be completed in consultation with trading parties             </li> <li><b>Performance Framework Plan</b> Produced and published following consultation at least six months before the beginning of the next period. Core content to include:               <ul style="list-style-type: none"> <li>Proposed changes to key features and timing of code changes to deliver these.</li> <li>Length and timing of next performance period (if variable)</li> </ul>               Signed off by Panel             </li> </ol>

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# Proposed transition/implementation for Part A Governance



Area	Proposed transition/implementation
Replacing MPC with PAC	Late Autumn 2024.
Ofwat decision on code change for Part A Governance	By the end of May 2024, to enable PAC recruitment over summer.
Code implementation	By end of June 2024. Starting recruiting process is not dependent on code being updated, but helpful for market to understand intent/direction early on.
TOR v1.0 sign-off	Signed off by Strategic Panel Autumn 2024, before first PAC. An initial version (e.g., structural outline) can be discussed in the summer with Strategic Panel.
PAC activities before April 2025	Recruitment: Summer 2024, Induction meetings Autumn 2024, PAC01 Late Autumn 2024.
Codification of transitional arrangements	Create a new Schedule, which overrides other parts of the code, to confirm that upon creation PAC will adopt legacy MPC role and determine how to phase this out/new roles in before the new framework goes live in April 2025.

Any questions, considerations, comments?

# What goes where?

Component	Proposed details for Code	Proposed details for TOR
<b>Concept of PAC</b>	<ul style="list-style-type: none"> <li>PAC Definition and transition schedule (how PAC takes over MPC role before new regime from April 2025)</li> </ul>	<ul style="list-style-type: none"> <li>Composition (including Chair), Quorum, Meeting Frequency, Behaviours.</li> </ul>
<b>Roles and responsibilities (tools and metrics)</b>	<ul style="list-style-type: none"> <li>High level purpose and scope (responsible for operating and flexing the framework on behalf of Panel, expected to regularly report back to Panel).</li> <li>Detailed decisions around tools and metrics are not required specifically for Part A Governance, the high-level role of PAC around these will be introduced when each tool and metric is codified, and the detail will be reserved for working practice and TOR documents.</li> </ul>	<ul style="list-style-type: none"> <li>Detailed responsibilities around tools and metrics can be set out in the TOR in time and updated as/if these change. Will have agreed most but possibly not all details by Autumn 2024.</li> </ul>
<b>Bespoke processes</b>	<ul style="list-style-type: none"> <li>High level process by which PAC can change target performance levels, non-KPI metrics, and remove KPI peer comparisons from public viewing.</li> <li>We will need to define (in code) a document(s) which will sit outside of the codes and set out the target performance levels and non-KPI metrics. This is not necessarily required for Part A Governance. It could be defined and created at the point of the first metrics being produced (Part C Metrics &amp; System Tools).</li> </ul>	<ul style="list-style-type: none"> <li>Detailed process by which PAC can change target performance levels and principles for doing so.</li> </ul>
<b>Performance Periods + docs</b>	<ul style="list-style-type: none"> <li>High level concepts and definitions of performance periods (length, timing, responsibilities for key activities)</li> </ul>	<ul style="list-style-type: none"> <li>Detailed responsibilities around performance periods can be set out in the TOR in time and updated as/if these change. Will have agreed these through Part A Governance.</li> </ul>
<b>MO assurance</b>	<ul style="list-style-type: none"> <li>PAC to adopt MPC responsibilities (reviews, inputs and challenges on non-compliance reports, market auditor scope and findings, and internal audit findings).</li> <li>'Market Auditor' to be renamed as the 'Market Operator Auditor' to provide third party independent assurance over MOSL's compliance.</li> </ul>	<ul style="list-style-type: none"> <li>Detailed responsibilities for MO assurance if required</li> </ul>

# Upcoming PAG workshop(s)

[Consultation 3 doc](#)

Date	For discussion	Detail
14.02.24	MPF Tools + updates from 23.01.24	<ul style="list-style-type: none"><li>• Workshopping T01 Market entry assurance, T02 Assurance statements, T06 Additional metric monitoring T07 Targeted audits, T08 Rectification &amp; escalation</li></ul>
29.02.24	MPF Tools	<ul style="list-style-type: none"><li>• As above</li></ul>
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. PAC 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)

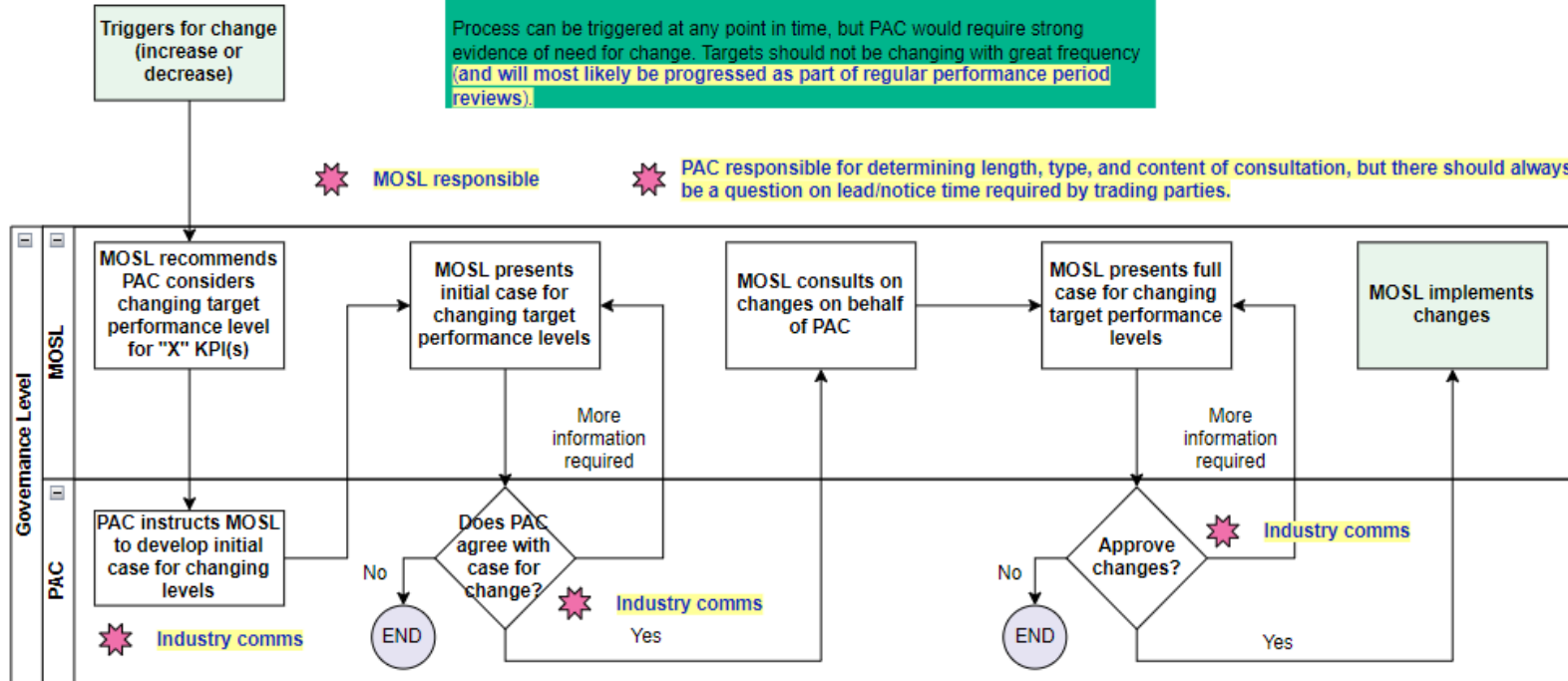
★ Criteria/triggers to remain at PACs discretion but changes are most likely to be considered as part of regular performance period reviews

## 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).

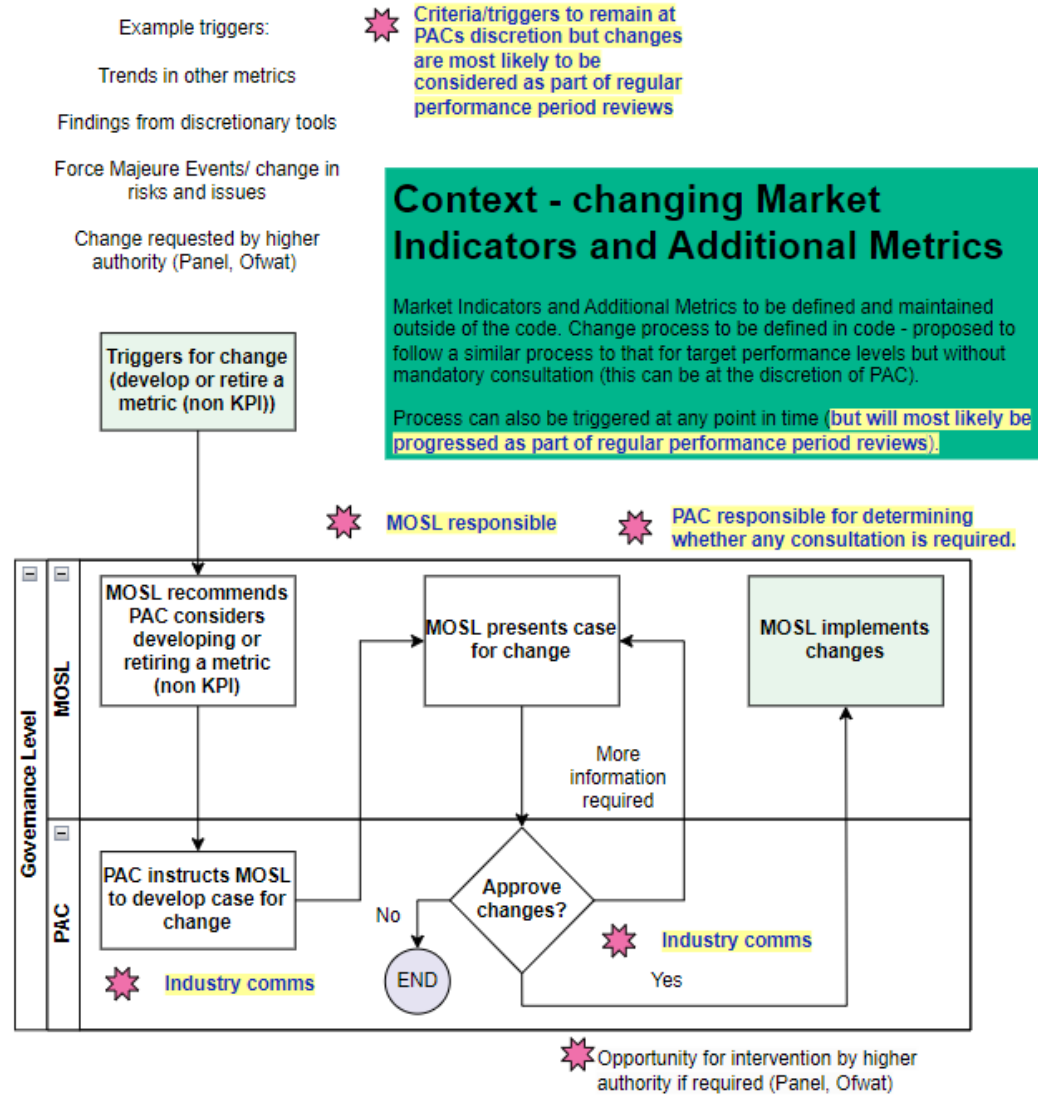
\*updates from previous workshop (6.12.23) highlighted in yellow



★ PAC responsible for determining length, type, and content of consultation, but there should always be a question on lead/notice time required by trading parties.

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

# Process Flows



\*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)

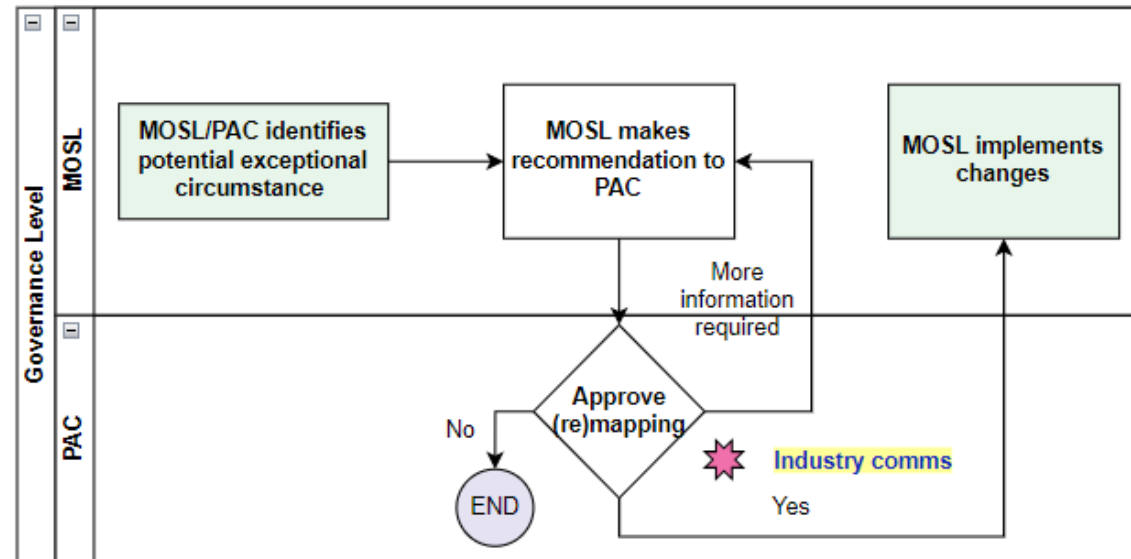
\*updates from previous workshop (6.12.23) highlighted in yellow



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**

