Market Performance Framework (MPF) Reform

PAG workshop on Cyclic meter read Key Performance Indicators

17 April 2024

Agenda

	Item	Presenter	Time
1	**Welcome & update**	**Chris Dawson (Chair)**	**10 mins**
2	M01 Cyclic meter reads performed within SLA	Abby Jackson	50 mins
3	M19 Cyclic non-market meter reads performed within SLA	Abby Jackson	50 mins
4	Upcoming PAG workshop(s) & AOB	Chris Dawson	10 mins
			Total: 90 mins

Housekeeping

MOSL

Welcome all (new and well established)

Workshop format
[Minutes and slides]

Please introduce yourself

Chat and Questions
mpfreform@mosl.co.uk

Detailed design approval process

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Draft design proposal

First Review
PAG workshop (input, feedback & comments)

Revise design

Second Review
PAG workshop (input, feedback & comments)

Revise design and code documents

Code sign off 'minded to support'

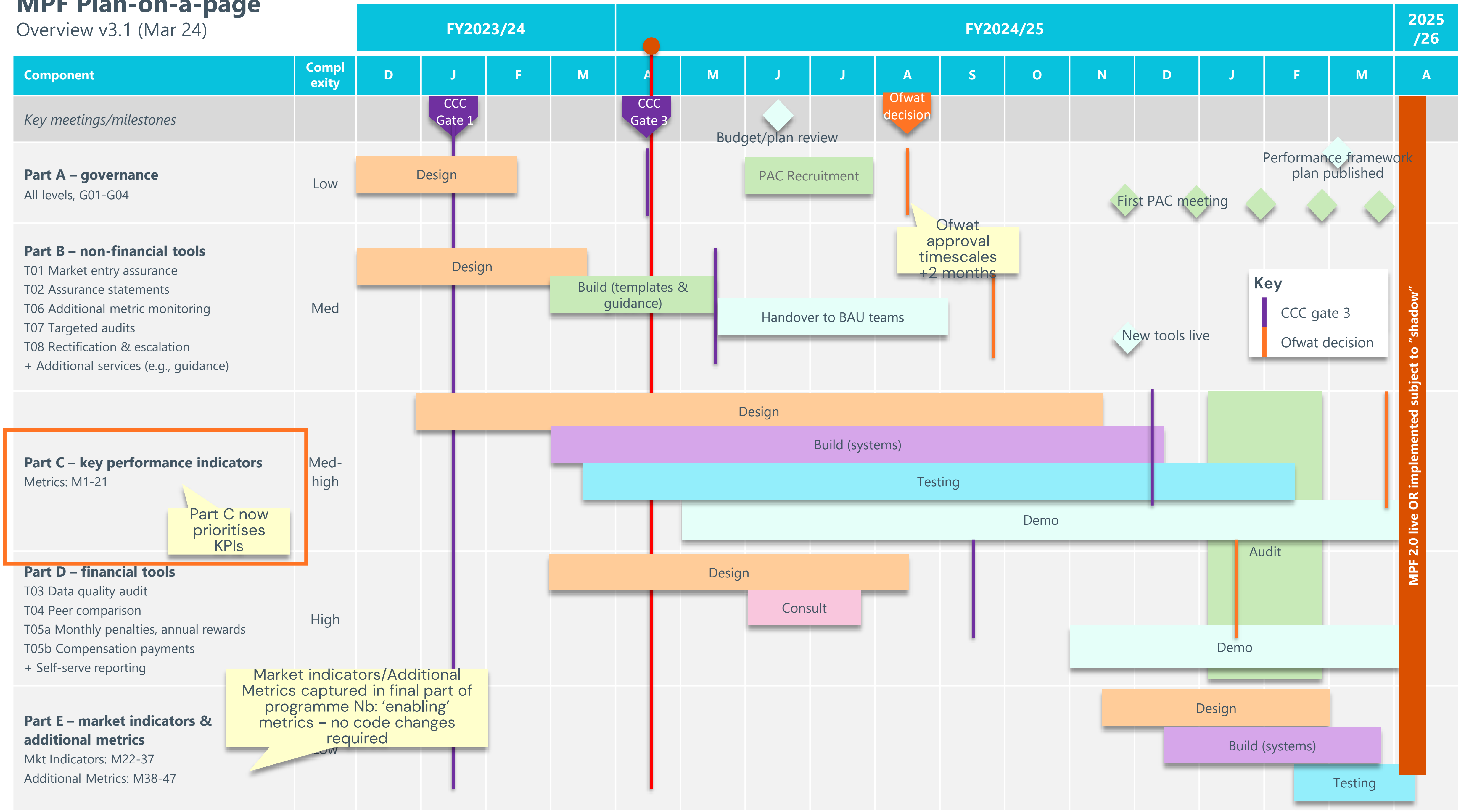
TPs publish early sight and or consultation

Code sign off 'Recommended'

CCC

MPF Plan-on-a-page

Overview v3.1 (Mar 24)



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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 changes to the code
2. **Target Performance Levels**
   - Target performance levels for KPIs (excluding those used for BR-MeX incentives) will be defined outside code. The PAC is responsible for maintaining these.
   - 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 metrics (Market Indicators and Additional Metrics) will be defined and maintained outside of code. The PAC is responsible for these (API process is driven by MOSL currently).
   - 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 a minimum, more frequently as required.
5. **Reporting metrics**
   - KPIs will be presented through public peer comparisons which rank parties against each other, with the target performance level clearly shown
   - The PAC may remove peer comparisons from public viewing in exceptional circumstances
   - Market Metrics (i.e. Additional Metrics and Market Indicators) can be presented on dashboards that are publicly accessible, but there will be no direct ranking of 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
   - 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 against a KPI used in BR-MeX is low, Ofwat will determine outcomes in terms of any relevant BR-MeX outperformance payments or underperformance penalties
   - The relevant KPI and its link to BR-MeX cannot be changed outside a code change.

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Cyclic meter read metrics

MPF Reform

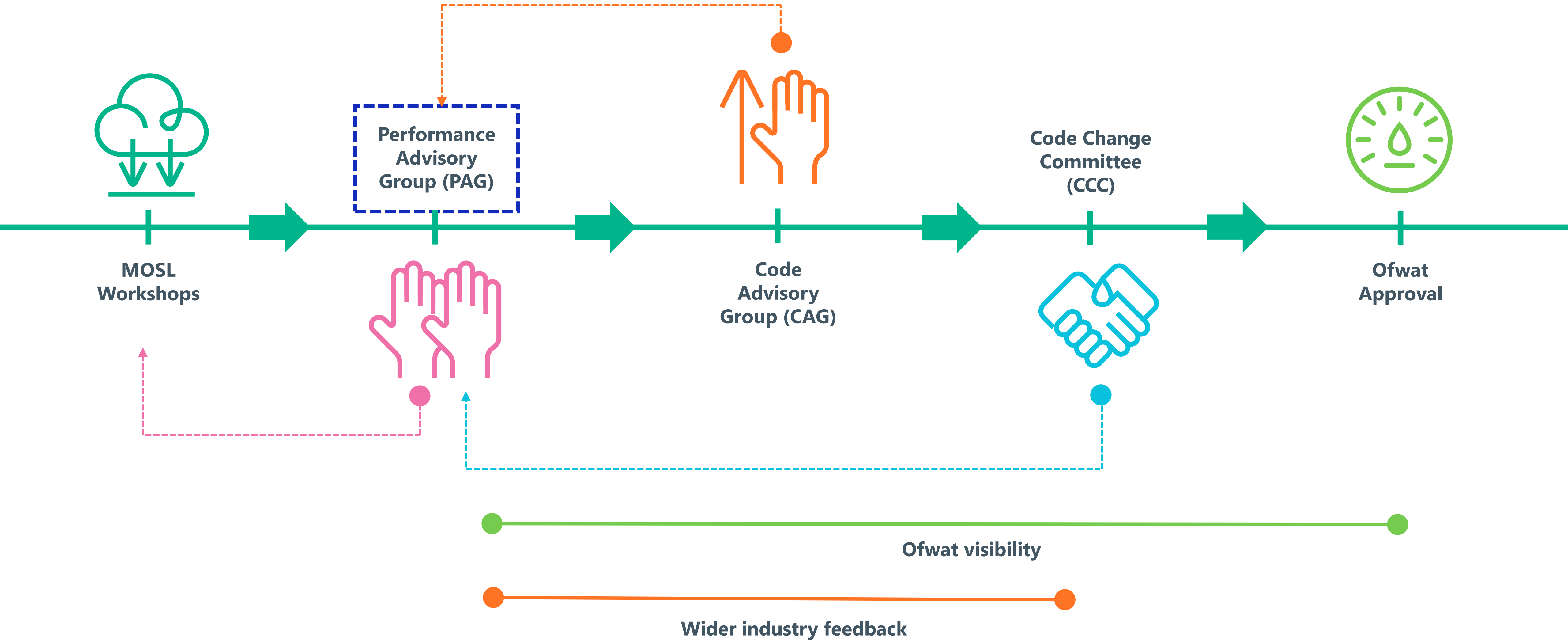
Abby Jackson

17 April 24

Agenda

- Metric High Level Journey
- Cyclic Read KPIs Overview
- PAG Input
- MPF Principles
- Retailer Cyclic Reads (M01)
- Wholesaler Cyclic Reads (M19)
- Open Questions

Metrics – High Level Journey



Cyclic Read KPIs Overview

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What are we focussing on today?

Today's KPIs

M01 – *Cyclic meter reads performed within SLA (biannual or monthly)*

M19 – *Cyclic non-market meter reads performed within SLA (biannual or monthly)*

Associated KPIs

M02 – *Proportion of smart meters read*

M03 – *Lateness of overdue cyclic meter reads*

M07 – *Proportion of consumption from cyclic meter reads performed within the biannual or monthly Service Level Agreement (SLA)*

M21 – *Lateness of overdue cyclic non-market meter reads*

M20 – *Proportion of consumption from cyclic non-market meter reads performed within the biannual or monthly Service Level Agreement (SLA)*

**CPW142 – Wholesaler Smart Meter Reads*

PAG Input

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What do we need from PAG members?

- Feedback on the metric **concepts**
- Feedback on whether new metric options measure and track the right **activities**
- Feedback on whether the new metric options promote the best outcome for the **customer**

MPF Principles

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Simplicity

Facilitate improved **customer** outcomes

Improve trading party **accountability**

Enduring & **Agile**

Transparent & proportionate

M01 Influence & Benefits

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What behaviour are we trying to influence?

Cyclic reads for market meters to be submitted in **frequent & consistent** intervals by the Retailer

What is the Customer Benefit?

Customer receives an **accurate bill** with well-informed estimated readings

What is the Trading Party Benefit?

Accurate bills limit the volume of **customer contact and rebilling** required, promotes accurate **settlement** calculations and supports **water efficiency initiatives**

What is the wider Market Benefit?

Frequent & consistent cyclic meter reads will aid more **accurate estimated** meter readings (transfers & settlement)

Retailer Cyclic Reads - Biannual

M01 – Cyclic meter reads performed within SLA (biannual)

MPS18

No.	Context	Trading Party	Success criteria	Time parameter 1		Time Parameter 2		Notes
				Applies after	Charge	Applies after	Charge	
MPS18	Missed Meter Read (**Biannual**)	Retailer	**Biannually** read meter is read every **200 BD**	**200** BD	**£10**	N/A	N/A	Clock reset at multiple events 5% Fail allowance

Drawbacks

- Report looks back to **market opening** to calculate metric
- Calculation is **complex**
- Difficult to understand when meter is **due** to be read with multiple times clock is reset

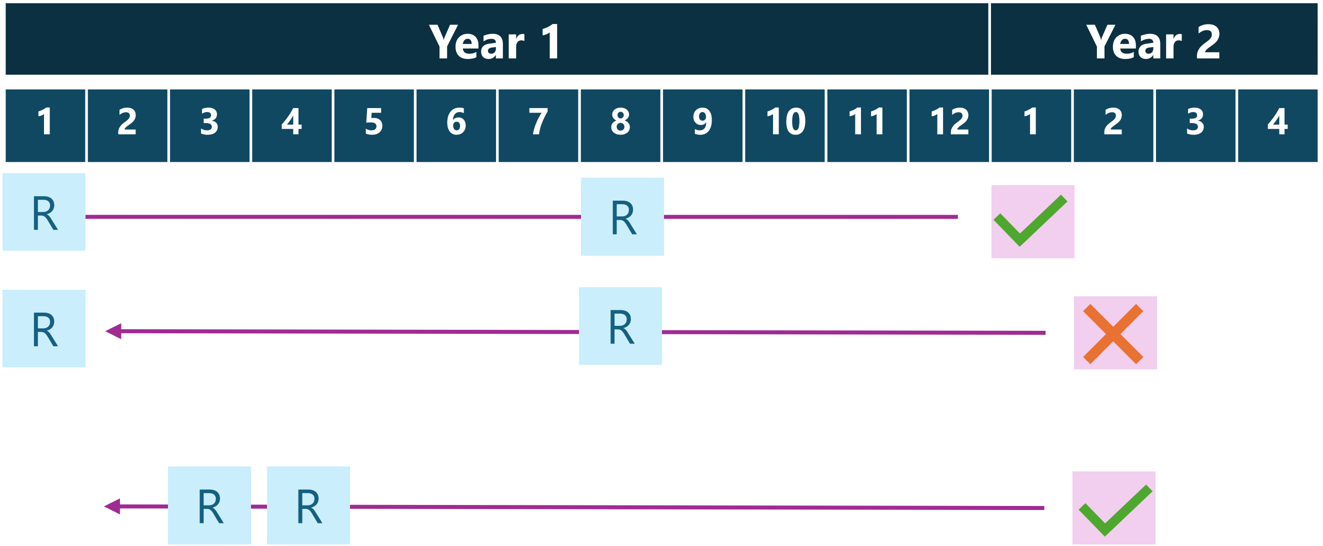
Metric Design Options

M01 – Biannual meters

- **2** cyclic meter reads in a rolling **12 month** period
- **1** cyclic meter read in a rolling **6 month** period
- **1** cyclic meter read in a rolling **7/8/9 month** period

Metric Design Option 1 – M01 Biannual

2 cyclic reads in rolling 12 months



- Simple metric to understand & calculate
- Removes complexity of looking back and counting 200 BD
- Allows for reads to be submitted in same month
- Doesn't influence behaviour of submitting reads in evenly spread intervals throughout the year

Metric Design Option 1 – M01 Biannual

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Concept feedback

What are your **overall thoughts** on metric?

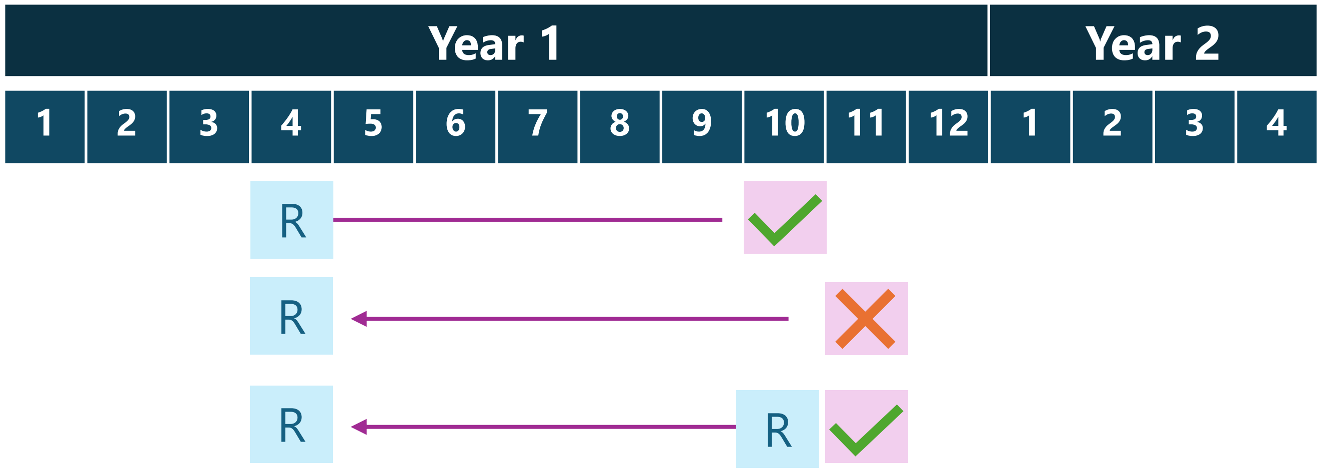
Do you have any **comments** on the Pros/Cons of the metric option?

Do you have any **additional** Pros/Cons of the metric option?

Do you think this metric design promotes the best outcome for the **customer**?

Metric Design Option 2 – M01 Biannual

1 cyclic read in rolling 6 months



- Simple metric to understand & calculate
- Removes complexity of looking back and counting 200 BD
- Influences behaviour of submitting reads in evenly spread intervals through the year
- Time parameters are strict

Metric Design Option 2 – M01 Biannual

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Concept feedback

What are your **overall thoughts** on metric?

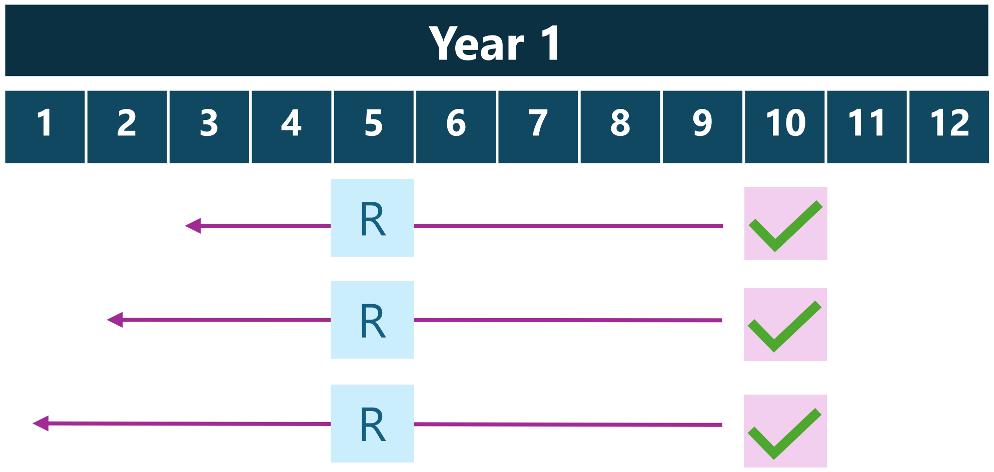
Do you have any **comments** on the Pros/Cons of the metric option?

Do you have any **additional** Pros/Cons of the metric option?

Do you think this metric design promotes the best outcome for the **customer**?

Metric Design Option 3 – M01 Biannual

1 cyclic read in rolling 7/8/9 months



- ✓ Simple metric to understand & calculate
- ✓ Removes complexity of looking back and counting 200 BD
- ✓ Influences behaviour of submitting reads in evenly spread intervals through the year
- ✓ Allows some flex with walk routes
- ⚠ Longer the time parameter, the less reads for the customer

Metric Design Option 3 – M01 Biannual

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Concept feedback

What are your **overall thoughts** on the metric options?

Do you have any **comments** on the Pros/Cons of the metric option?

Do you have any **additional** Pros/Cons of the metric option?

Which metric design promotes the best outcome for the **customer**?

Retailer Cyclic Reads - Monthly

M01 – Cyclic meter reads performed within SLA (monthly)

MPS19

No.	Context	Trading Party	Success criteria	Time parameter 1		Time Parameter 2		Notes
				Applies after	Charge	Applies after	Charge	
MPS19	Missed Meter Read (**Monthly**)	Retailer	**Monthly** read meter is read every **25 BD**	**25** BD	£0	**40** BD	**£20**	Clock reset at multiple events 5% Fail allowance

Drawbacks

- Report looks back to **market opening** to calculate metric
- Difficult to understand when meter is **due** to be read with multiple times clock is reset
- Calculation is **complex**
- Monthly performance is **low**

Metric Design Options

M01 – Monthly meters

1 cyclic meter read in the previous month

1 cyclic meter read in **40 Business Days**

Metric Design Option 1 – M01 Monthly

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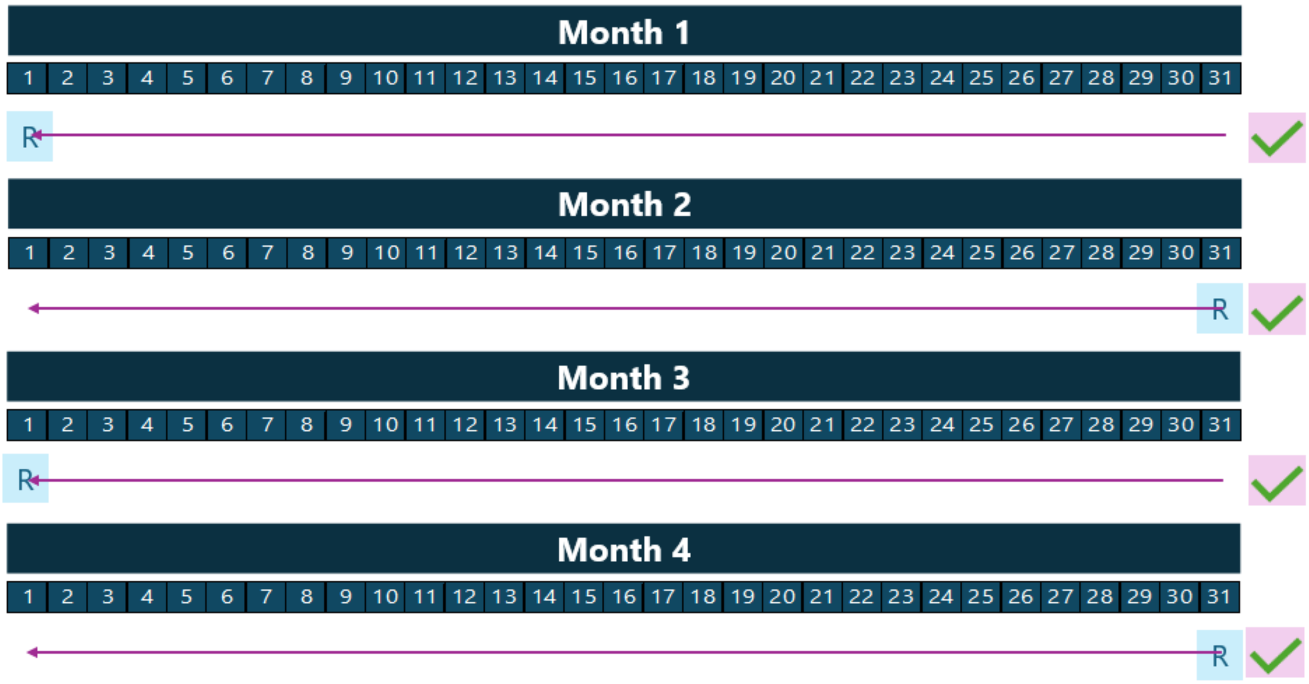
1 cyclic read in previous month

- ✓ Simple metric to understand & calculate
- ✓ Removes complexity of 2 time parameters
- ✓ Influences behaviour of submitting 1 read every month
- ✓ Consistent metric concept across biannual & monthly meters
- ⚠ Would allow for almost 2 months between meter reads



Metric Design Option 1 – M01 Monthly

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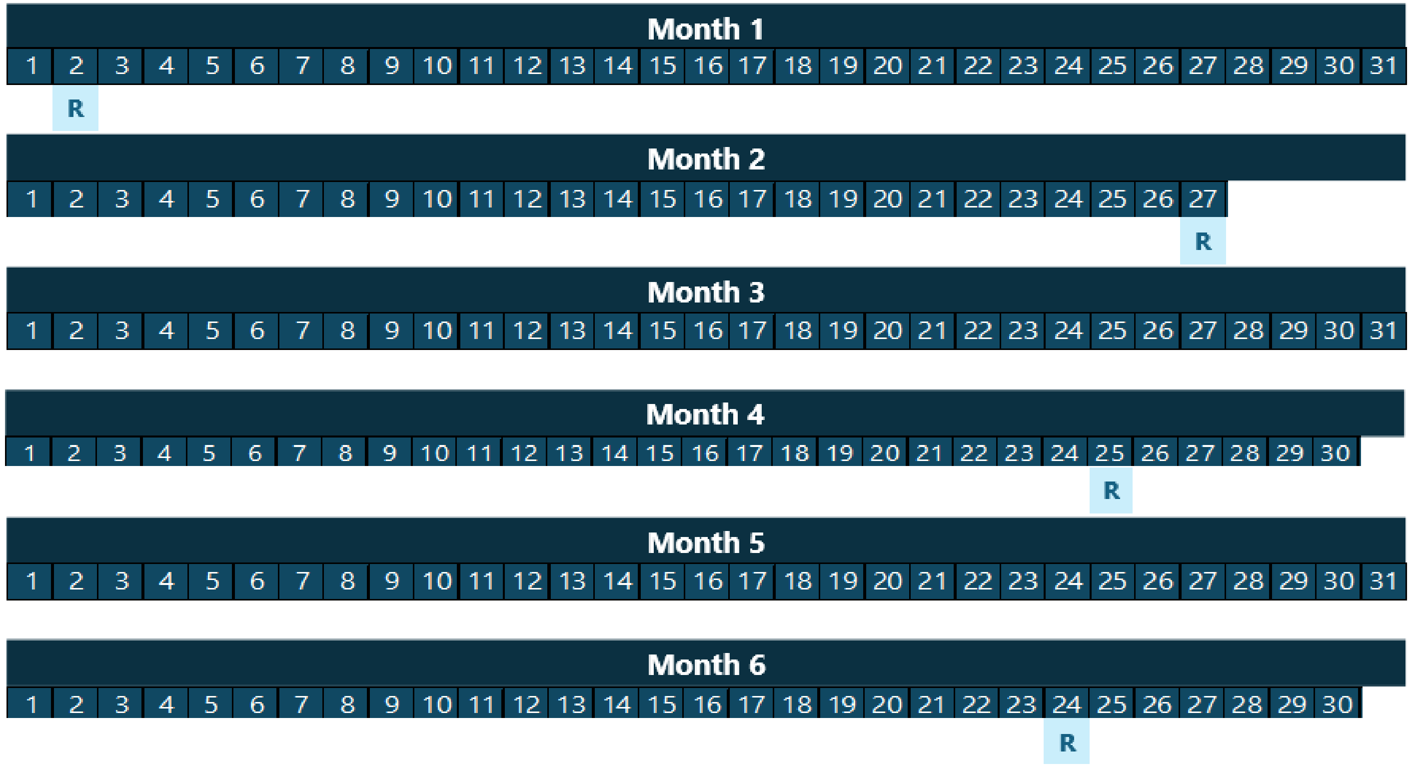
Concept feedback

- What are your **overall thoughts** on metric?
- Do you have any **comments** on the Pros/Cons of the metric option?
- Do you have any **additional** Pros/Cons of the metric option?
- Do you think this metric design promotes the best outcome for the **customer**?

Metric Design Option 2 – M01 Monthly

1 cyclic read every 40BD

- Simple metric to understand & calculate
- Removes complexity of 2 time parameters
- Doesn't influence behaviour of submitting 1 read every month
- Would allow for 2 months between meter reads



Metric Design Option 2 – M01 Monthly

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Concept feedback

What are your **overall thoughts** on metric?

Do you have any **comments** on the Pros/Cons of the metric option?

Do you have any **additional** Pros/Cons of the metric option?

Do you think this metric design promotes the best outcome for the **customer**?

Wholesaler Cyclic Reads

M19 – Cyclic non-market meter reads performed within SLA (biannual or monthly)

Metric Design Option 1

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AS IS		PROPOSAL
MPS13 (Biannual) 1 cyclic read every 140/160BD	→	**M19 (Biannual)** Mirror M01
MPS14 (Monthly) 1 cyclic read every 25/40BD	→	**M19 (Monthly)** Mirror M01

- ✗ Report looks back to **market opening** to calculate metric
- ✗ Calculation is **complex**
- ✗ Difficult to understand when meter is **due** to be read
- ✗ **Disparity** between MPS18/19

- ✓ **Simple** metric to understand & calculate
- ✓ Influences behaviour of submitting reads in acceptable **intervals** through the year
- ✓ **Consistency** & fairness across meter read metrics

AJ 115O

Metric Design Option 1 – M19

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Concept feedback

What are your **overall thoughts** on metric?

Do you have any **comments** on the Pros/Cons of the metric option?

Do you have any **additional** Pros/Cons of the metric option?

Do you think this metric design promotes the best outcome for the **customer and retailer**?

Open questions

M01 – Cyclic meter reads performed within SLA (biannual & monthly)

M19 – Cyclic non-market meter reads performed within SLA (biannual & monthly)

Open questions

Feedback

Would **calendar** days or **business** days be preferable?

How would we want to treat **vacant** SPIDs across the metrics?

How would we want to treat meters with open **C1/B5 service requests**?

How would we want to treat **transferred** SPIDs?

How would we want to treat **disconnected** SPIDs?

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Upcoming PAG workshop(s)

Date	For discussion	Detail
17th April	MPF Metrics M01 (and M19)	Part C – Key performance indicators: M01 – Market meter cyclic reads performed within SLA (and M19 – Non-market meters)
1st May	MPF Metrics M04 and M06	Proportion of transfer meter reads performed within SLA & Lateness of overdue transfer meter reads
8th May	MPF Metrics M05 and M09	Proportion of transfer meter reads submitted within SLA & Proportion of transferred SPIDs that have an estimated meter reading
15th May	MPF Metrics	Tbc
22nd May (tbc)	MPF Metrics	Tbc
29th May	MPF Metrics	Tbc

AOB

•CAG have issued 'minded to support' on the code docs for the part B tools. All docs and release notes are on the website.

•A minor improvement has been made to the process for additional metric monitoring. The PAG had agreed that parties should be given advanced notice of any changes to these metrics - CAG agreed but also felt that the code should prescribe a minimum notice period of one month (as a backstop).

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