Market Performance Framework (MPF) Reform

PAG workshop on Cyclic meter read Key Performance Indicators

01 May 2024

Agenda

	Item	Presenter	Time
1	**Welcome & update**	**Chris Dawson (Chair)**	**10 mins**
2	M04 Proportion of transfer meter reads performed within SLA	Jak Davidson	50 mins
3	M06 Lateness of overdue transfer meter reads	Jak Davidson	50 mins
4	Upcoming PAG workshop(s) & AOB	Chris Dawson	10 mins
			Total: 2 hours

Housekeeping

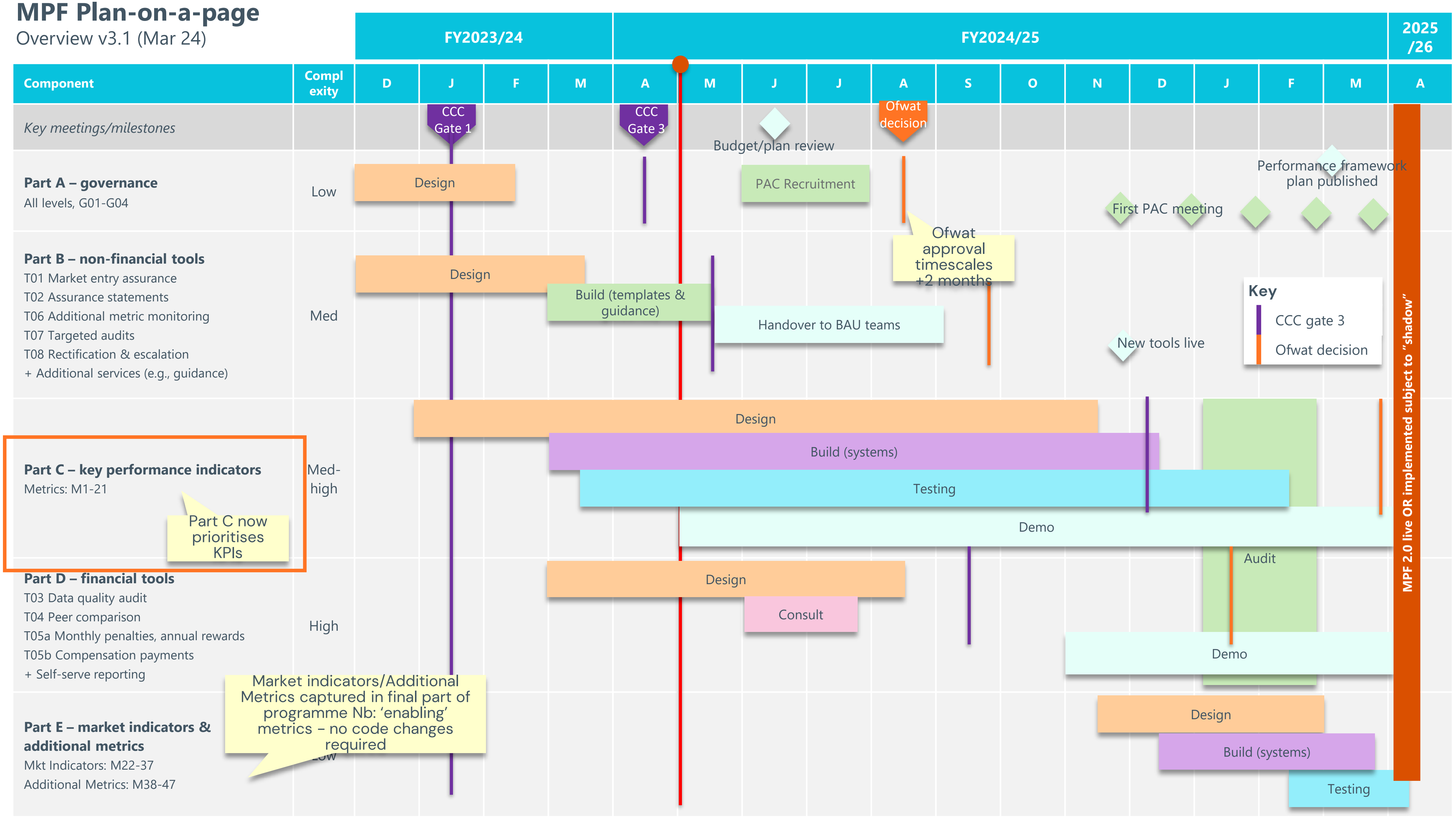
Welcome all (new and well established)

Workshop format
Minutes and slides

Please introduce yourself

Chat and Questions
mpfreform@mosl.co.uk

MPF Plan-on-a-page
Overview v3.1 (Mar 24)



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M04 & M06

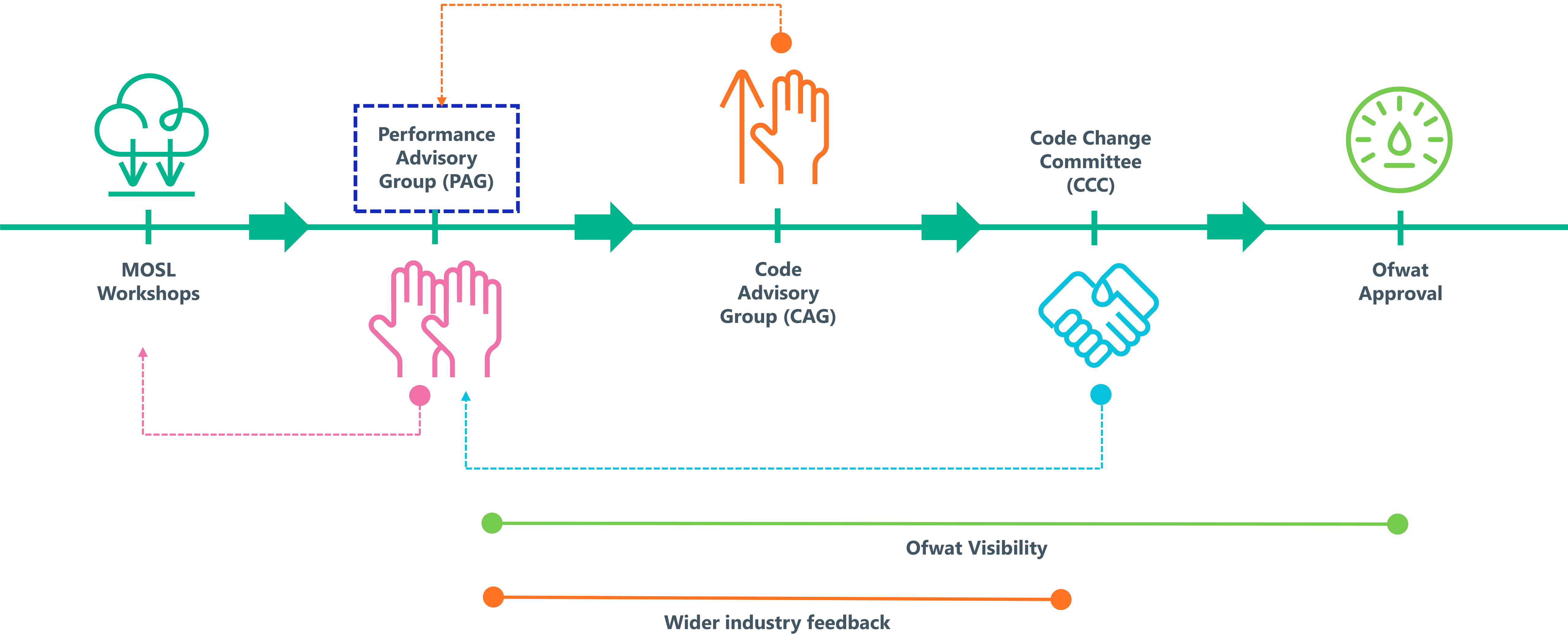
MOSL MPF Workshop - Playback

Jak Gibson
Business Analyst
01/05/2024

Agenda

- Metric High-Level Journey
- Metric Design Journey
- PAG input – What are we trying to get out of today
- Influence & Benefits
- M04, M05, M06 & M09 Overview & Consolidation
- Proportion of successful transfer reads (M04)
- Lateness of missing transfer reads (M06) concept

Metrics – High Level Journey



Metric Design Journey

Metric Title/Concept

Overarching metric name

Consultation feedback received

Metric design theory

Defining the metric theory

Input
Question
Output

Tools

Defining what financial incentives should apply to the metric

Penalties
Rewards
Compensation
Performance target

Scenarios

Defining how the metric should handle specific scenarios

Vacant properties
Transfers Disconnected
C1/B5
LUMS
Border SPIDs
SPERRs
Erased
MX

PAG Input

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What do we need from PAG members?

Feedback on the metric **concept**

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**

Transfer Reads - Influence & Benefits

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What **behaviour** are we trying to influence?

Swift submission of **actual** transfer meter readings, taken within **proximity** of the **"transfer date"** (registration start date)

What is the **Customer Benefit**?

The receipt of an **accurate** and **timely final bill** from an outgoing retailer, and an **accurate starting point for consumption** with the new retailer

What is the **Trading Party Benefit**?

Supports **accurate settlement**, **accurate and timely billing**, and **alignment** between retailers.

Transfer Reads - Overview

Swift submission of **actual** transfer meter readings, taken within **proximity** of the **"transfer date"** (registration start date)

M04

Transfer meter reads received, **dated** within SLA

Read date

M05

Transfer meter reads **submitted** within SLA

Submission date

M06

Lateness of **missing** transfer meter reads

Overdue meter reads

M09

Estimated V **Actual** transfer meter reads

Read method

*Agreed in initial consultation
*Initial PAG feedback = "Are there too many metrics for transfers?"
*Enhancements from current MPS – Missing elements highlighted

Transfer Reads – Problem Statements

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Billing complaints – Highest reason for complaints from end customer

Estimated readings are **significantly higher than actuals** for transfer reads

Reinforce the **accountability** of the **relevant trading party** (Incoming Retailer)

Design must support and continue to encourage current **high performance**

M04 - Successful transfer reads

M04

Transfer meter reads received, **dated** within SLA

+

M05

Transfer meter reads **submitted** within SLA

↓

M04

Proportion of **successful** transfer reads

Benefits:

- **Simplicity**
- Improve trading party **accountability**
- **Transparent** & proportionate

Drawbacks:

- **Visibility** of failure type at high-level

Transfer Reads - Overview

Swift submission of **actual** transfer meter readings, taken within **proximity** of the **"transfer date"** (registration start date)

M04

Proportion of **successful** transfer reads

Read & Submission Date

M06

Lateness of **missing** transfer meter reads

Overdue meter reads

M09

Estimated V **Actual** transfer meter reads

Read method

PAG opinion for a revised, and combined metric?

Transfer Reads – Consultation Feedback

M04, M06 and M09: "These metrics could have unintended consequences in that **retailers may not compete for SPIDs that have long unread meters**. Therefore, in the same way that these metrics will exclude a meter with an active C1 or B5 bilateral request, they **should also exclude long unread meters**

M06: "We are **highly concerned around the use of 'lateness'** as the metric for failed Meter Reads, as we believe such an approach can potentially disincentivize the submission of reads to the market. We do not believe that any incentive structure should lead to a position where a Retailer may be potentially 'better off' for not submitting an accurate actual read to the market."

M04

Proportion of successful transfer reads

M04 - Proportion of successful transfer reads

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What is the "Success Criteria"?

Read type: Transfer (T)

Read method: Visual, Remote, Estimate & Customer

Read dated: Within two (2) Business Days before the latest Registration Start Date up until seven (7) Business Days after the relevant Registration Start Date

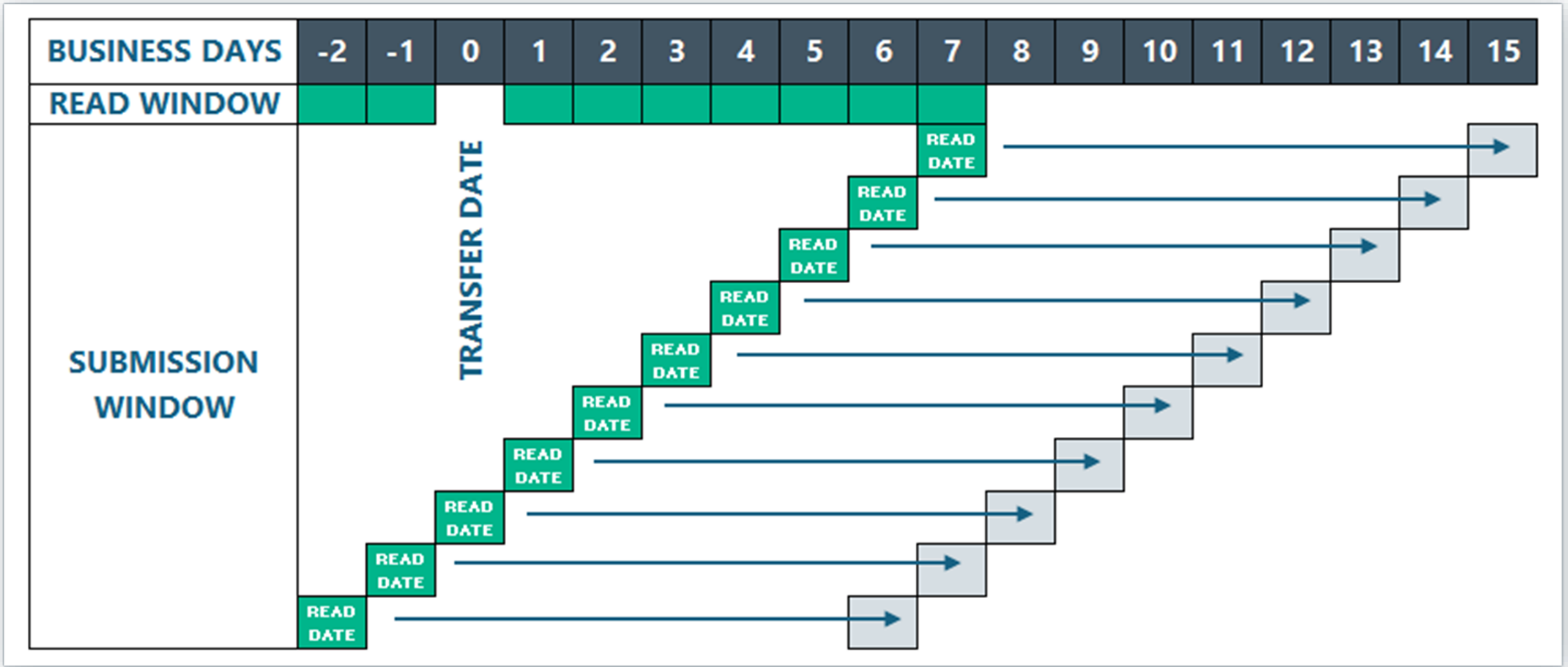
Read submitted: Within eight (8) Business Days of the date the Meter Read is taken

Current code obligations

No proposal to change SLA windows

PAG opinion?

M04 - Proportion of successful transfer reads



T108.R = Trigger for Read Window (-2, +7BDs)

T105.R = Submission window tracking

Report includes all transfers where BD 15 falls within the "reporting window"

M04 - Scenarios

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M04

Proportion of **successful** transfer reads

Read & Submission Date

PASS

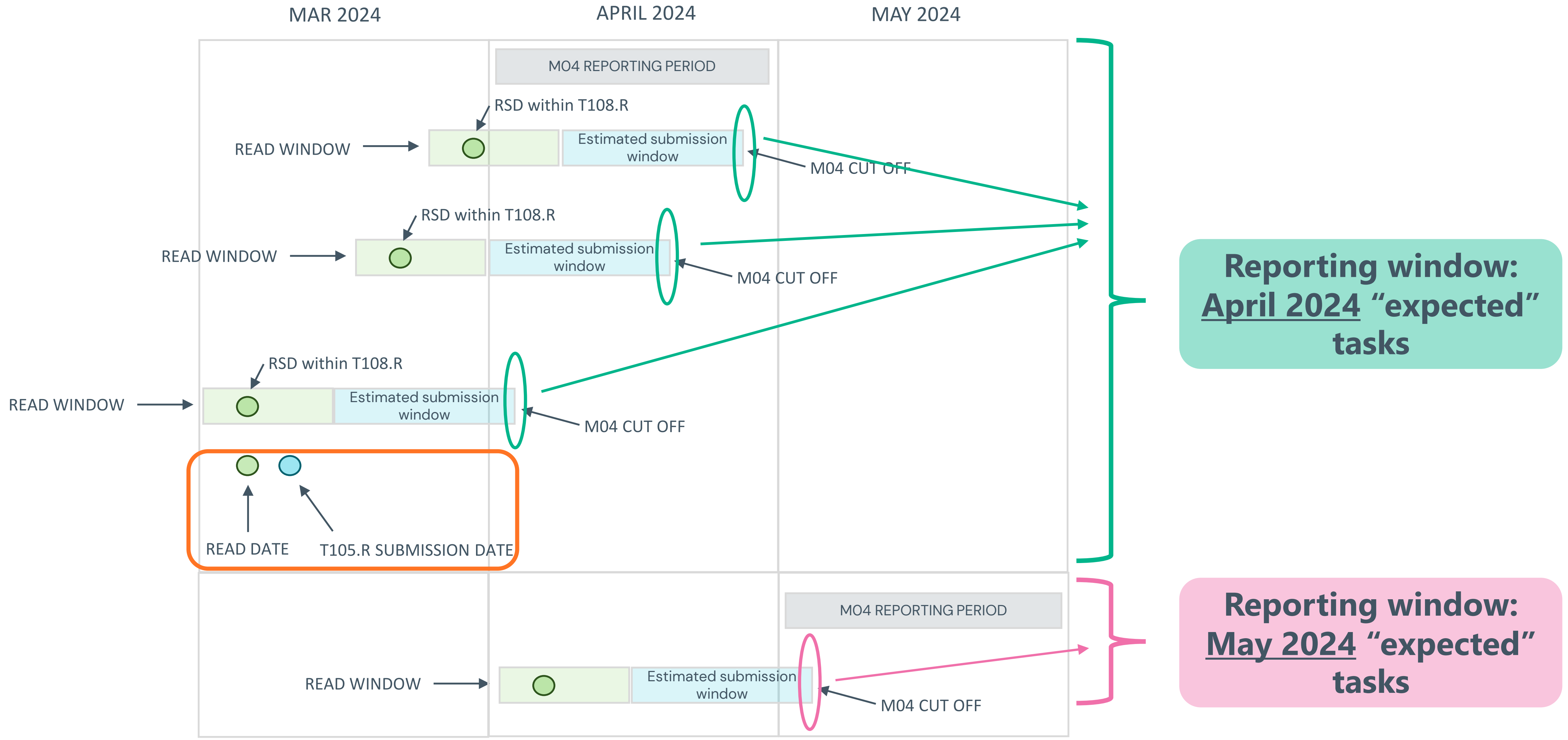
FAIL SCENARIO 1
NO READ RECEIVED

FAIL SCENARIO 2
READ DATE OUTSIDE OF READ WINDOW

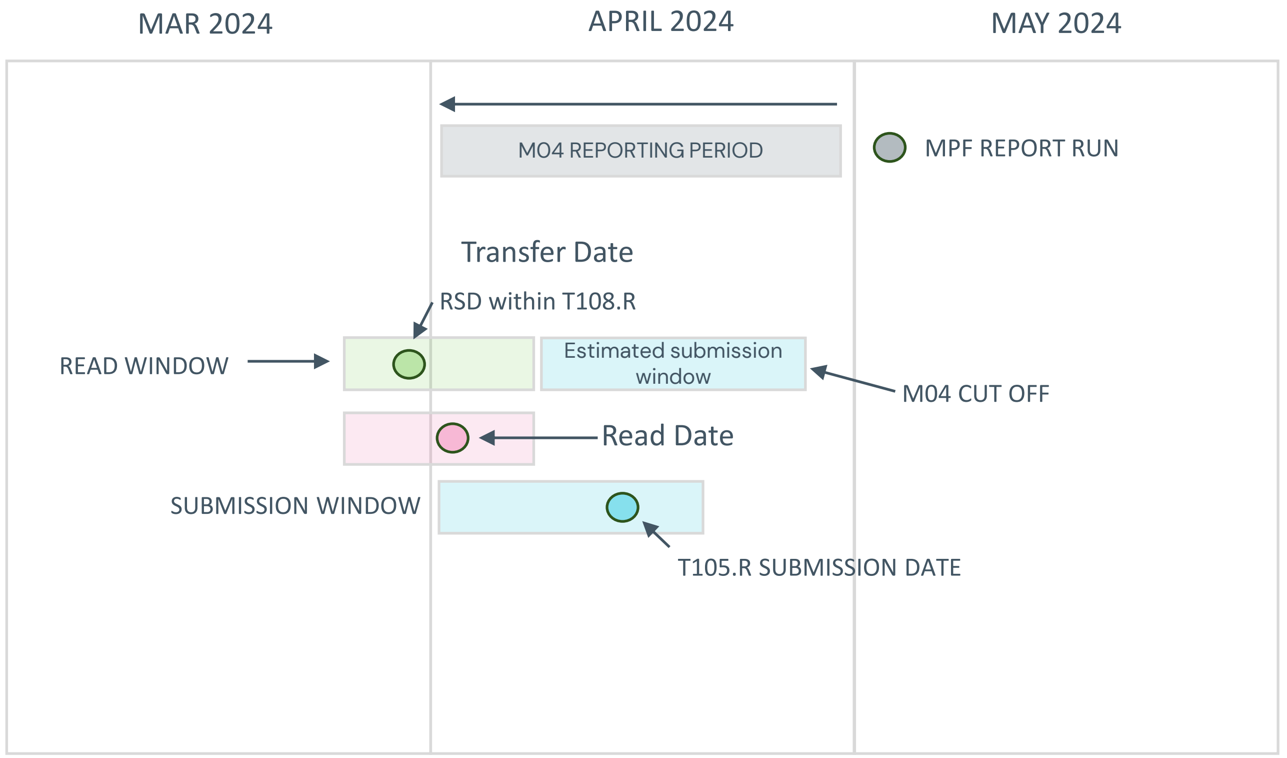
FAIL SCENARIO 3
READ SUBMITTED OUTSIDE OF SUBMISSION WINDOW

PERFORMANCE = % of PASSED *versus* ALL EXPECTED (within the reporting window)

M04 – What is "Expected"?

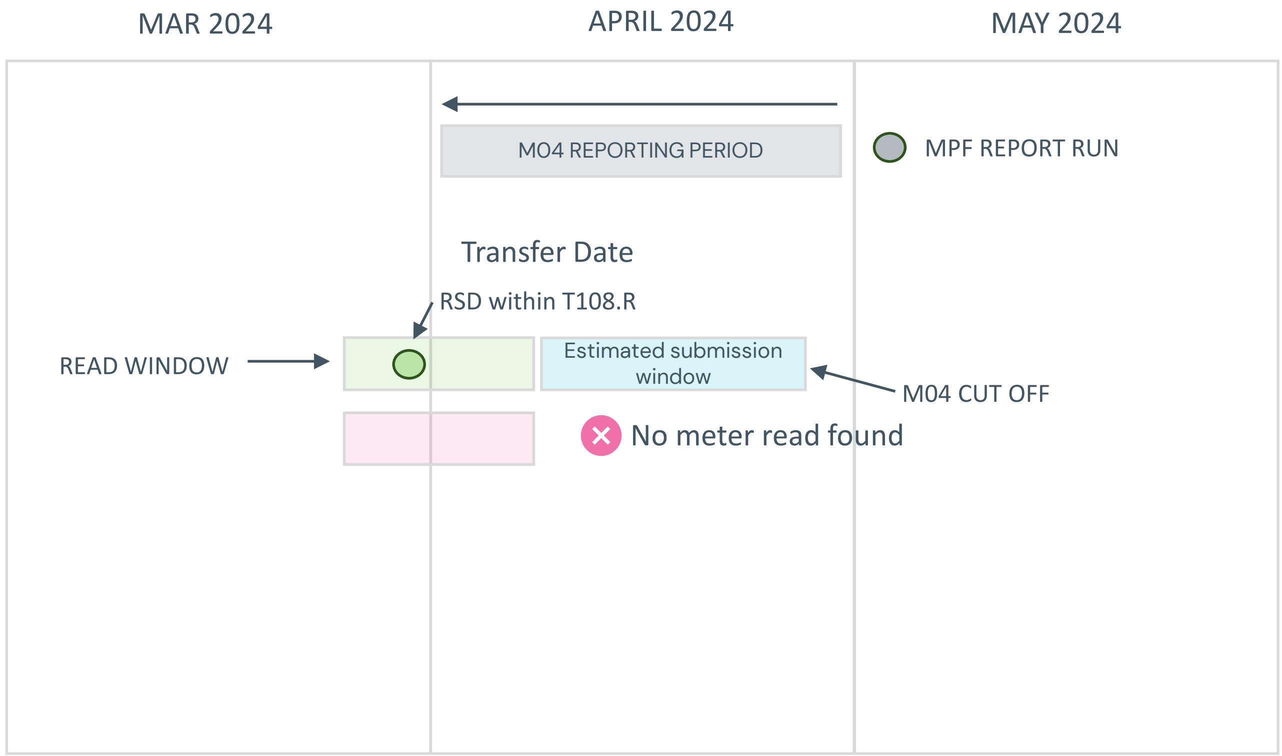


M04 – Pass Scenario



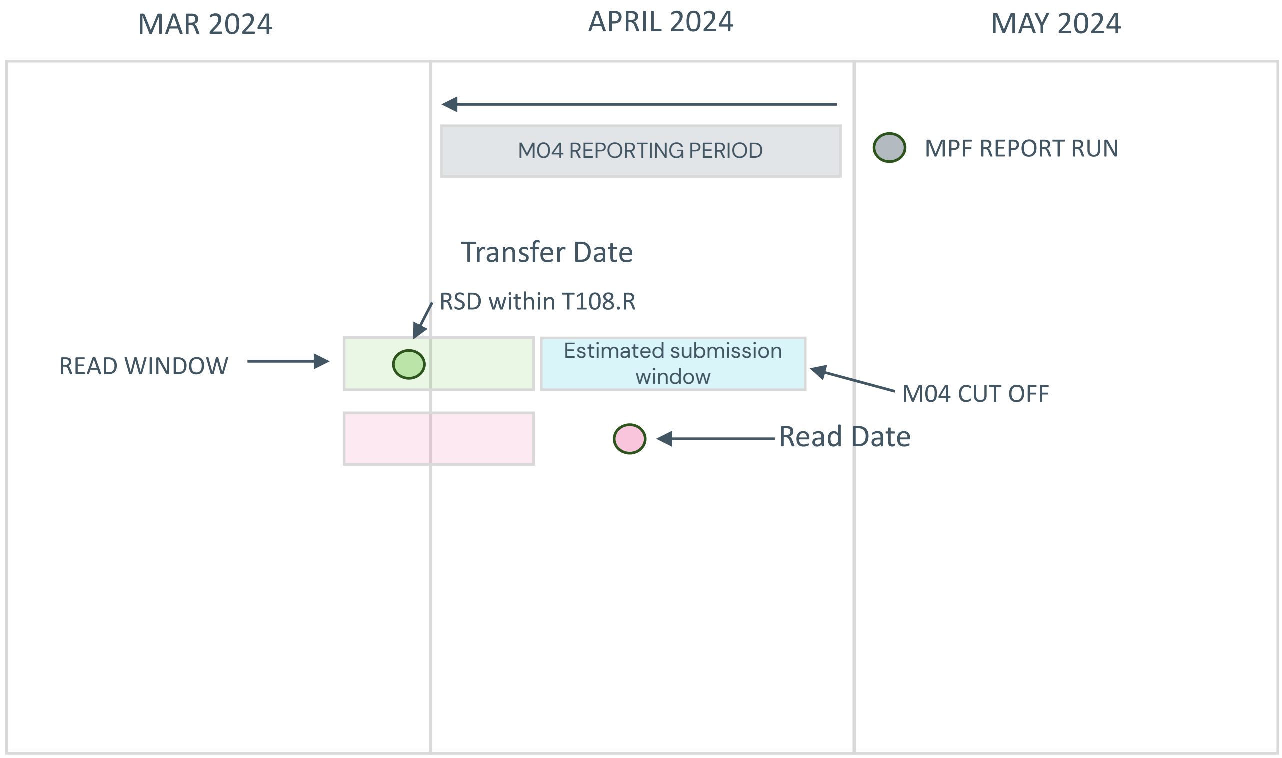
PASSED = Count of each successful transfer read

M04 – Fail Scenario 1



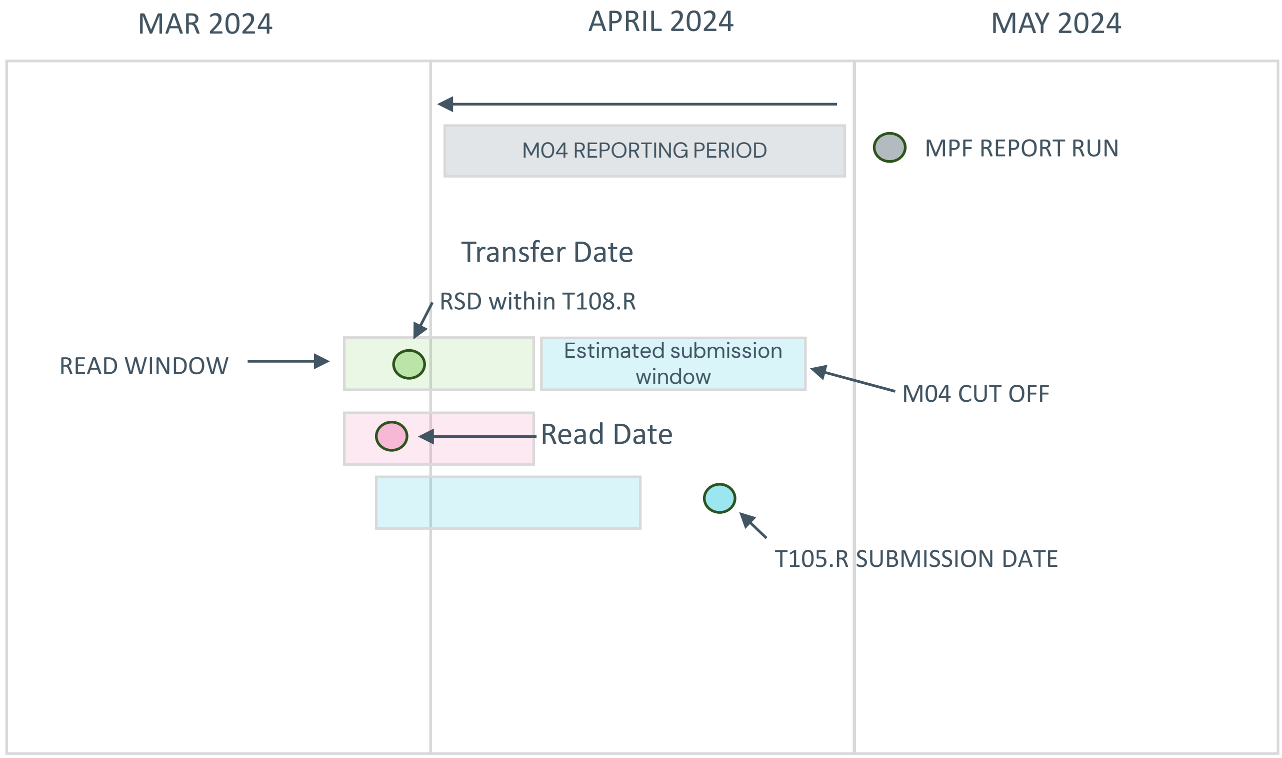
FAILED = NO READ RECEIVED

M04 – Fail Scenario 2



FAILED = READ DATED OUTSIDE OF READ WINDOW

M04 – Fail Scenario 3



FAILED = READ SUBMITTED OUTSIDE OF SUBMISSION WINDOW

M04 – Suggested Concept

Success Criteria	Performance Type	Performance Target Standard	Chargeable	Reward	Compensation
Transfer Meter Read is submitted and accepted by CMOS with a **Read Date** within the read window SLA, and a **Submission Date** within the submission SLA window	PASS/FAIL @ TASK LEVEL	TBC*	PROPOSED (Dependant on M06 discussion)	NO	NO

PERFORMANCE = % of PASSED *versus* ALL EXPECTED

PAG opinion?

M04 – Proportion of successful transfer reads

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Further points of clarity:

Task level = Per Meter, Per SPID

Frequency = Monthly

Responsible TP = Incoming Retailer

Performance level = % of passed versus expected tasks → Peer Comparison

Penalty level = TBC

Caveats & Exclusions:

- Estimated readings permitted
- No allowance for bilateral B5 & C1 or LUMs
- Only include those where transfer was not rejected by the Outgoing Retailer

1. PAG Opinion?

2. Any additional points to clarify?

Metric Design – M04

PAG Feedback

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

Any concerns?

Any **proposals to change** the design?

Does the design **promote the appropriate behaviours**?

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M06

Lateness of transfer reads

Metric link - M04 to M06

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M04

Proportion of **successful** transfer reads

Read & Submission Date

FAIL SCENARIO 1
NO READ RECEIVED

FAIL SCENARIO 2
READ DATE OUTSIDE OF READ WINDOW

FAIL SCENARIO 3
READ SUBMITTED OUTSIDE OF SUBMISSION WINDOW

M06

Lateness of **missing** transfer meter reads

FAIL SCENARIO 1
NO READ RECEIVED

FAIL SCENARIO 2
READ DATE OUTSIDE OF READ WINDOW

FAIL SCENARIO 3
READ SUBMITTED OUTSIDE OF SUBMISSION WINDOW

M06

Lateness of transfer meter reads

MOSL

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Upcoming PAG workshop(s)

Date	For discussion	Detail
8th May	MPF Metrics*	M04 - Proportion of transfer meter reads performed within SLA and M05 - Proportion of transfer meter reads submitted within SLA
15th May	MPF Metrics*	M06 - Lateness of overdue transfer meter reads and M09 - Proportion of transferred SPIDs that have an estimated meter reading
22nd May (tbc)	MPF Metrics*	Tbc
29th May	MPF Metrics*	M01 - Cyclic meter reads performed within SLA (biannual or monthly)

**Subject to change*

AOB

1. Where possible we're scheduling more frequent PAG meetings that we anticipate the need. We appreciate that this means the need to remain flexible with our approach. with that in mind, would PAG prefer meeting scheduled ahead that may be cancelled, or extra meetings popped in with notice (but not as much notice as a scheduled in advance meeting)?
2. And... where we know there is a lot of cover, would they prefer longer meetings to cover the whole topic (with comfort breaks) or standard-length meetings and then split across days/weeks etc?

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mpfreform@mosl.co.uk

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.