

Market Performance Framework (MPF) Reform

Part C – key performance indicators

2 July 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. The slide features the text 'MARKET VALUE ADDED' in large, bold, black letters, with each word on a separate line. Below this text are two lines of smaller, black hashtags: '#search #business #concept' and '#keywords #design #innovate'. The laptop is on a wooden desk, and the person is wearing a white shirt sleeve.

MARKET
VALUE
ADDED

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

Agenda

	Item	Presenter	Time
1	Welcome & update	Chris Dawson (Chair)	10 mins
2	M01 - Cyclic meter reads performed within SLA (biannual or monthly)	Abby Jackson	1HR 35 mins
3	Consultation 4 update	Miles Robinson	5 mins
4	Upcoming PAG workshop(s) & AOB	Chris Dawson	10 mins
			Total: 2 hours

Housekeeping



Welcome all - Please introduce yourself in the chat



Workshop format – Input and feedback needed



We will allow time for questions
Chat and Questions mpreform@mosl.co.uk



MOSL Website for [Agenda, Minutes & Slides](#) -
Minutes format to change due to cadence.

Cyclic Read Metrics – M01

PAG

2 July 24
Abby Jackson

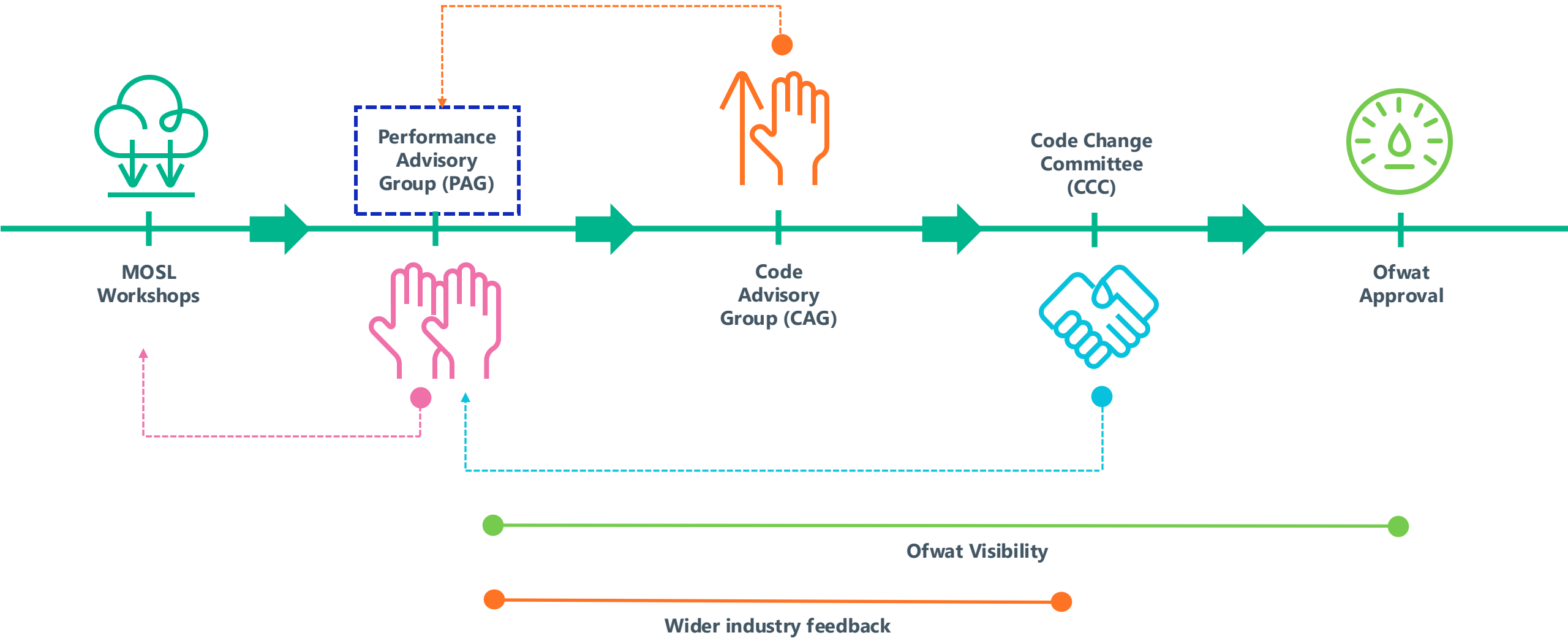


Agenda

- Metrics high level journey
- PAG input
- Influence & benefits
- Problem statements
- Metric design journey
- PAG recap
- M01 Financial tools
- M01 Metric design detail
- Smart meters



Metrics – High Level Journey



PAG Input

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**

M01 & M03 Influence & Benefits



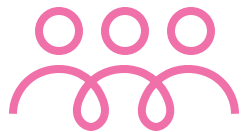
What **behaviour** are we trying to influence?

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



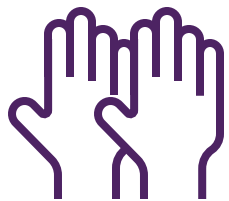
What is the **Customer Benefit**?

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)

Cyclic Read KPIs – Problem Statements

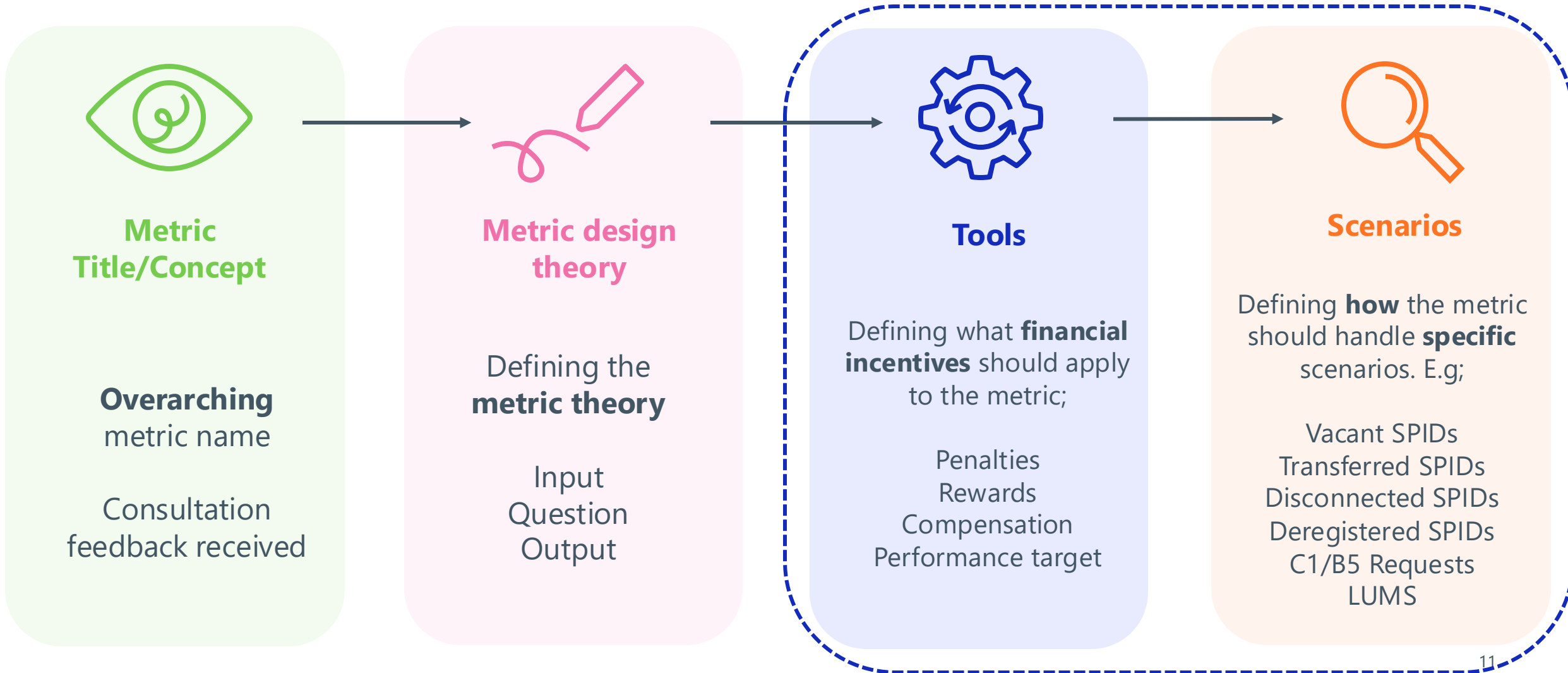
Complex design – clock resets at multiple stages

No incentive to **rectify missed** reads


Inconsistency across current biannual & monthly
MPS

New design should encourage more **regular** cyclic readings
– align to biannual & monthly obligations


Metric Design Journey



Previous PAG Recap



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




Submission window to remain unchanged
(10BD)



Metric design theory



M03 (lateness) – removed as a KPI

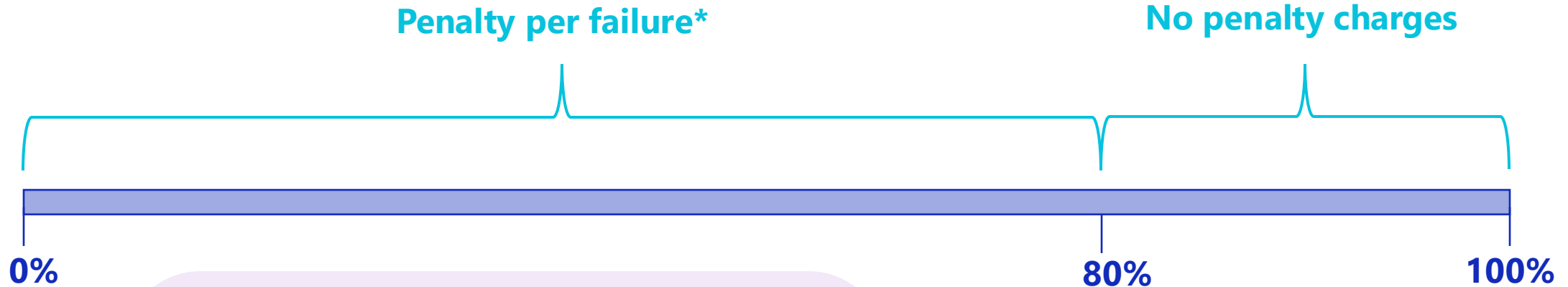





Biannual meters – 7 calendar months
Monthly meters – 1 calendar month

M01 Financial Tools

Cyclic meter reads performed within SLA

M01 Financial tools – Performance standard



-  100% performance is **not expected**
-  If minimum performance standard is met, **no penalty charges** will be applied
-  If performance is below minimum standard, **penalties per failure** * (*below the standard*)

Minimum performance standard
(example)

Example:
10 meters; 2 fail SLA (80% pass) – no penalty
10 meters; 3 fail SLA (70% pass) – 1x penalty

M01 Metric design detail

Cyclic meter reads performed within SLA

Metric Design Detail – M01 Scenarios



Vacant meters

Option 1

Include vacant meters within the metric (i.e. no exclusions apply)

Performance standard accounts for vacant SPIDs

Simplicity

Promotes meter readings on vacant sites
Measuring compliance with market code

Change to current MPS18/19

Option 2

Exclude vacant meters from the metric

How would we exclude vacant meters?

- *Vacant at point report is run?*
- *Vacant for majority of report window?*
- *How would we handle sporadic periods of vacancy?*

Mirrors MPS18/19

Complex design

Metric Design Detail – M01 Scenarios



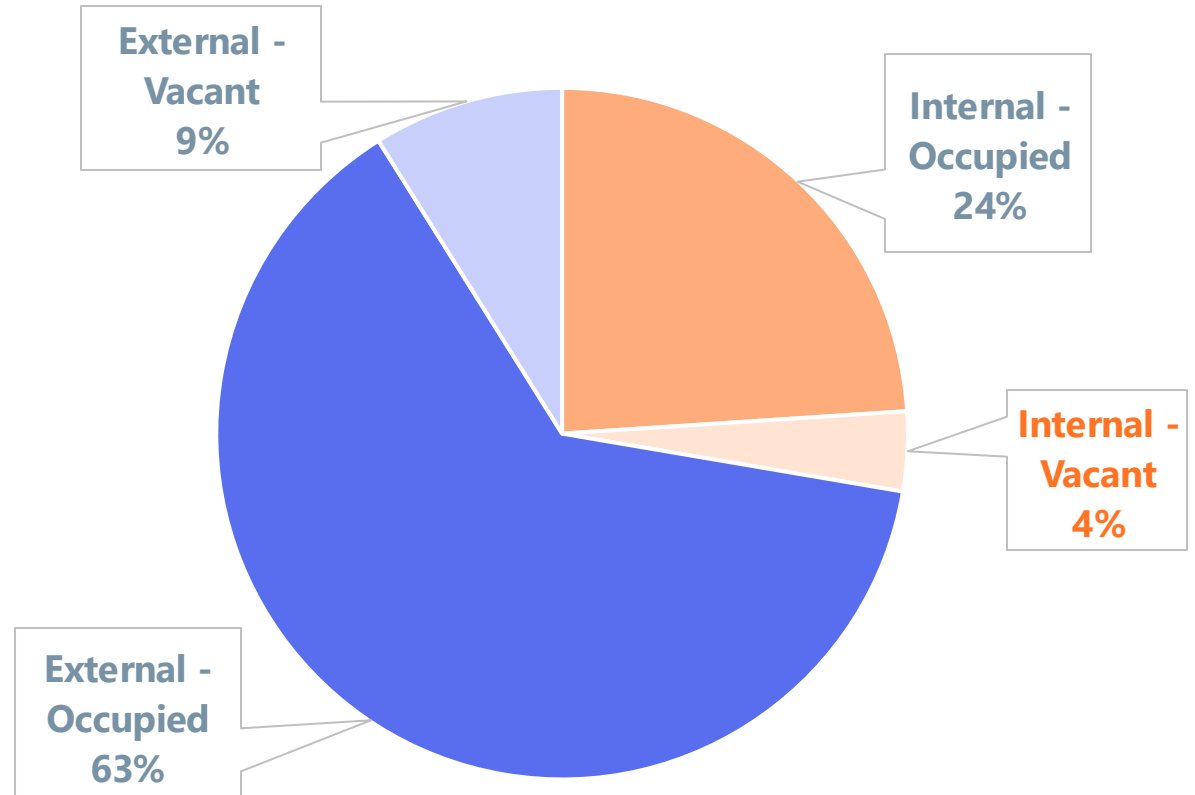
Vacant meters



Market meters:

Vacant = **13%**
Occupied = **87%**

Internal = **28%**
External = **72%**



Metric Design Detail – M01 Scenarios



C1 / B5 Service requests

Option 1

Include meters with an open C1/B5 service request (i.e. no exclusions apply)

Performance standard accounts for meters that could not be read

Simplicity

Unfair as out of Retailer's control

Option 2

Exclude meters with an open C1 / B5 Service request from metric entirely

i.e. exclude from input if open C1/B5 exists

Most C1/B5 scenarios out of Retailer's control
Mirrors existing MPS18/19

Reads taken missed from performance
Risk of C1 / B5 misuse
(existing risk – should be managed outside MPF)

Option 3

Exclude meters with an open C1/B5 Service request **only** where meter read has been **unsuccessful**

i.e. if the meter passes, include within performance

Most accurate exclusions

Slightly more complex design

Metric Design Detail – M01 Scenarios



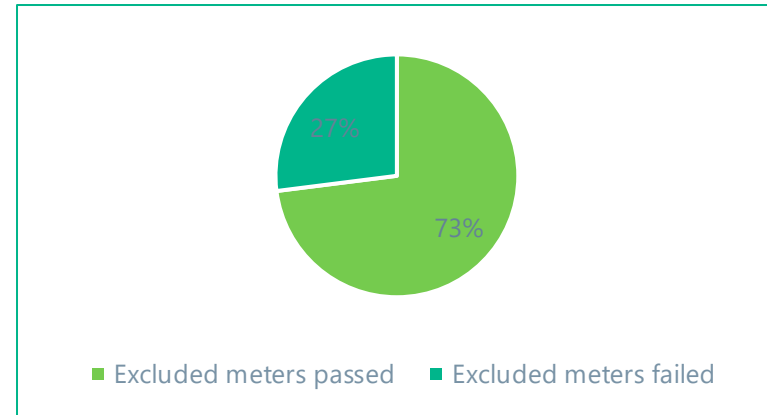
C1 / B5 Service requests



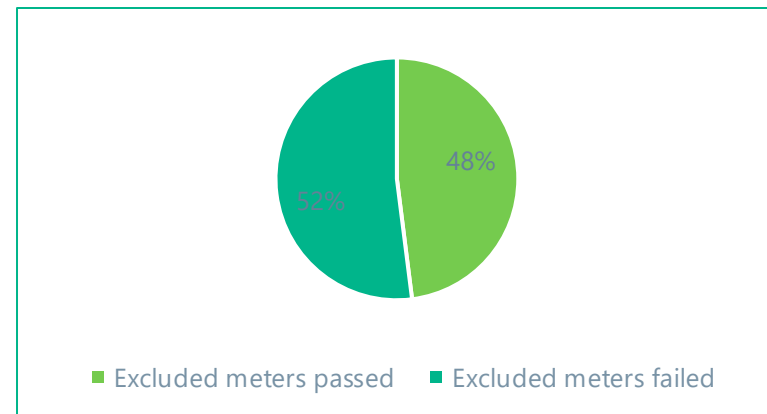
C1/B5 exclusions from
MPS18 & MPS19

Data from Jan – May 24

MPS18 = 0.5%



MPS19 = 2.1%



Metric Design Detail – M01 Scenarios



Transferred meters



Switch rate =
3.42%
(88,254 SPIDs)
(FY 23/24)

Option 1

Transferred meters to only be included **once owned** by new Retailer for **7 months / 1 month**

Actual transfer read to be included as 'cyclic'

Incoming retailer has full SLA to take cyclic reading
Encourages switching (new entrants)

If T read is estimated, customer could be waiting 7 months for a meter read

Option 2

Transferred meters to be included **as soon as transferred** (i.e. cyclic read to be scheduled month after transfer)

Actual transfer read to be included as 'cyclic'

Incentive to read meter immediately if T read is estimated

Unfair for transferred meters to have a shorter SLA for the first 7 months

Metric Design Detail – M01 Scenarios



Meter exchanges

Option 1

If meter is 'removed' at last day of reporting period, meter is **excluded** from the report

If meter removal is backdated, **no previous reports** to be re-run

New meters to be included in report as soon as implemented (i.e. **no grace period** like transferred SPIDs)

Initial reads to be included as 'cyclic' reads

Simplicity

Consistency across metrics to not re-run previous reports

Does not account for backdated meter exchanges

Option 2

If meter is 'removed' at last day of reporting period, meter is **excluded** from the report

If meter removal is backdated, **no previous reports** to be re-run

New meters to be included in report from '**transaction date**' (not installation date). 7 month / 1 month '**grace**' period.

Initial reads to be included as 'cyclic' reads

Consistency across metrics to not re-run previous reports

Accounts for backdated meter exchanges

More complex design

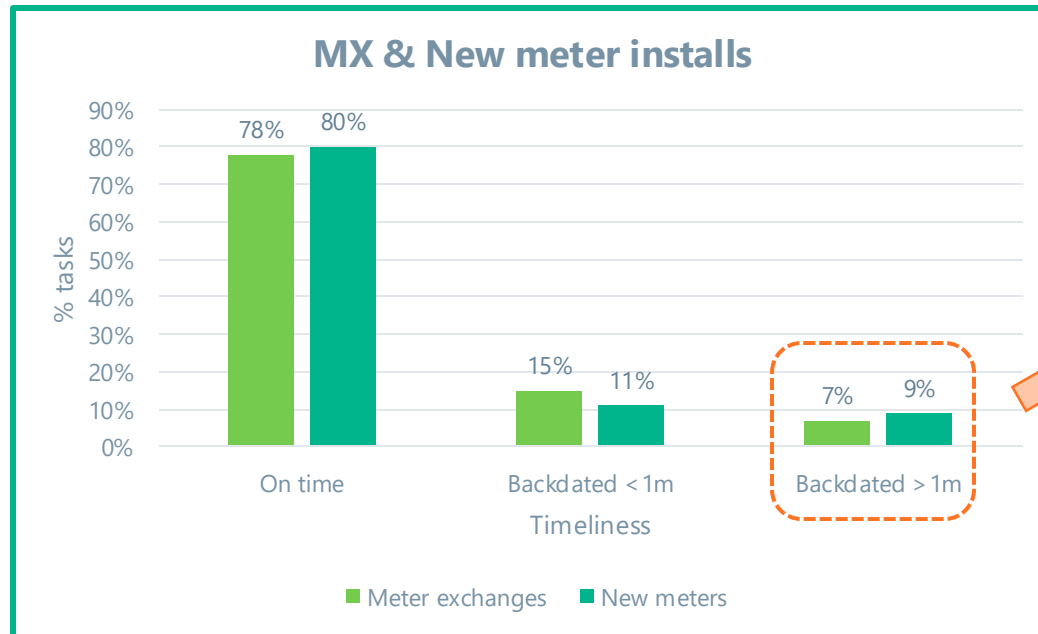
Metric Design Detail – M01 Scenarios



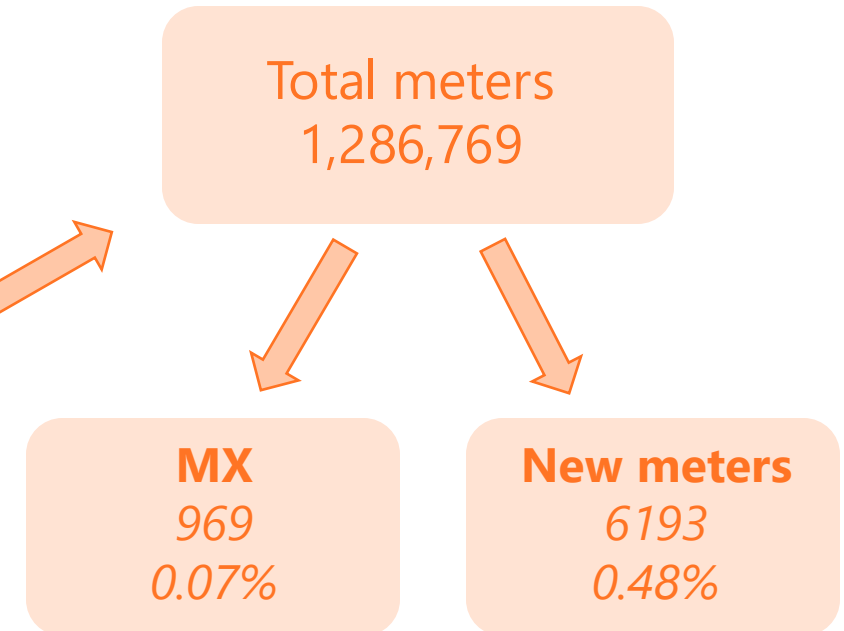
Meter exchanges



Backdated data (CMOS updated on time/late)



FY 23/24



Metric Design Detail – M01 Scenarios



Disconnected SPIDs

Temporary disconnection

If meter is 'temporarily disconnected' at last day of reporting period, meter is **excluded** from the report

When meter is **re-connected**, will be included in next report

If temp disconnection is backdated, **no previous reports** to be re-run

Permanent disconnection

If meter is 'permanently disconnected' at last day of reporting period, meter is **excluded** from the report

If perm disconnection is backdated, **no previous reports** to be re-run

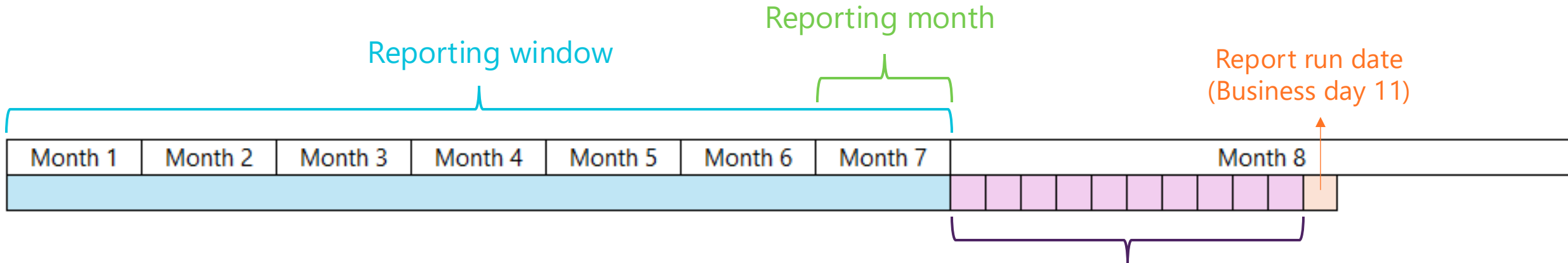
Simplicity
Consistency across metrics to not re-run previous reports

Metric Design Detail – M01 Scenarios



Backdated changes

Meter exchange
Deregistration
SPERR
TCORR
Disconnected SPID



Simplicity
Consistency across metrics to not re-run previous reports
No change to existing MPS

If a transaction (e.g. TCORR) is **submitted** within this window, it will be considered within the reporting month

However, **previous** MPF report months will **not be re-ran**

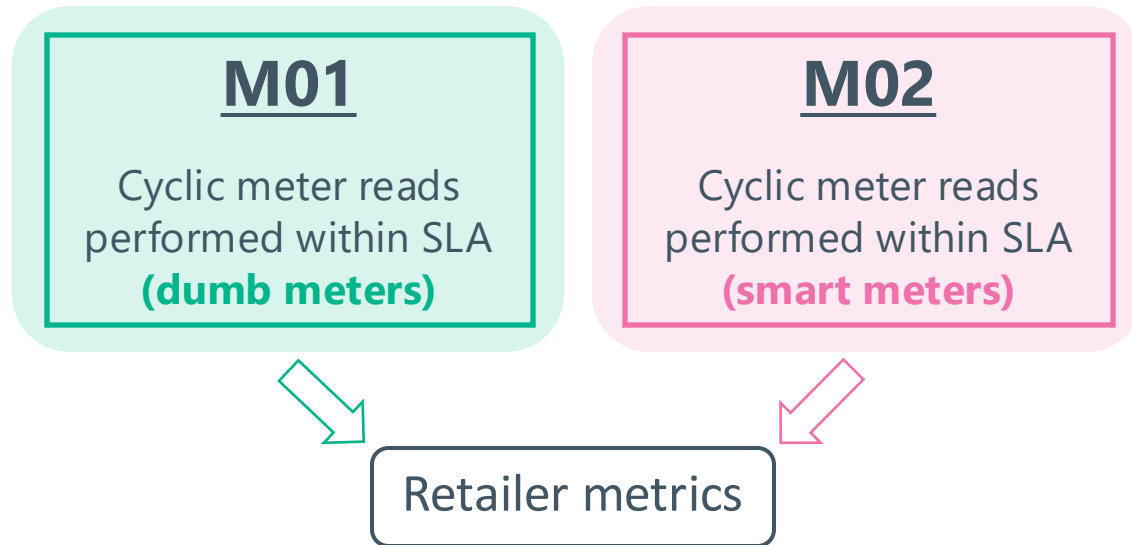


Biannual meter example

Smart meters

Feedback on how we handle smart meters

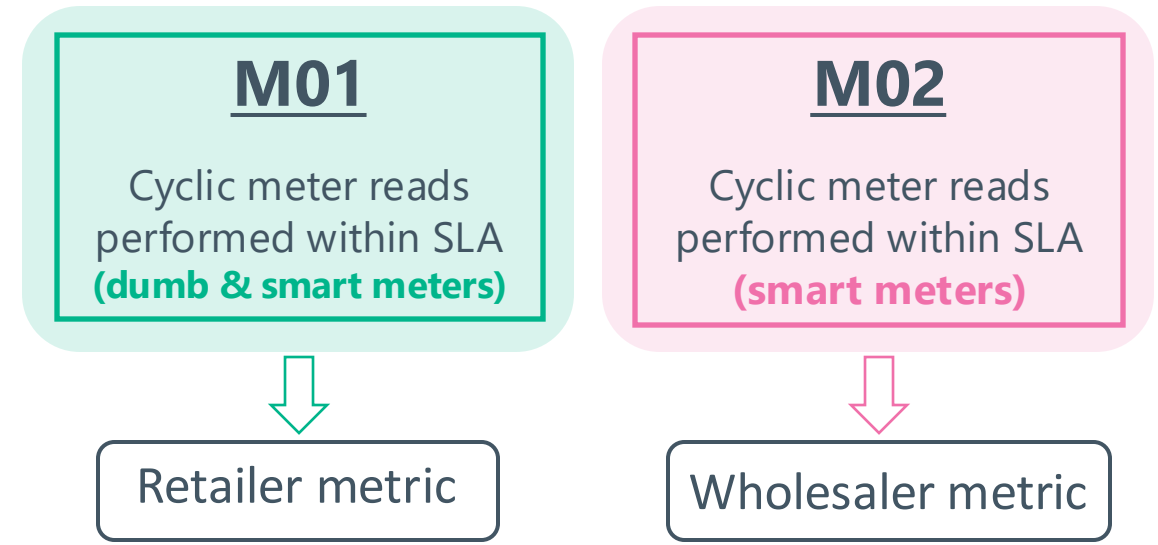
Option 1



Following CPW142 implementation:

- M02 becomes Wholesaler metric
- Performance standard / SLA could be amended for M02

Option 2



Following CPW142 implementation:

- M02 remains 'empty' until CPW142 is implemented
 - Smart meters move across to M02
- Performance standard / SLA could be amended for M01

Part D – Consultation 4 planning



Consultation 4
8 July – 2 August

Section 1

The **success criteria** that will be used to judge the proposed changes

Pre-reading document:
Mon 14 June

Section 2

The **principles that will be used to design** the financial tool(s) and performance standards

Pre-reading document:
Mon 24 June

Section 3

Based on 1 & 2, **align the most appropriate financial tool with MPF metric(s)**

Pre-reading document:
Mon 1 July

Consultation 4 will focus on the **design** of financial tools and aligning them to metrics.

The scale of charges (penalties, compensations and rewards) and **actual performance standards** for each KPI will be determined in the Autumn

Part D – Consultation 4 planning



Consultation 4
8 July – 2 August

Section 1

The **success criteria** that will be used to judge the proposed changes

Including:

- Overview of Consultation 4
- What consultation will – and won't – include
- Content of three pre-reading documents
- Issues with financial tools included in current MPF and objectives of reformed financial tools

Section 2

The **principles that will be used to design** the financial tool(s) and performance standards

Including:

- Define potential financial incentives
- Principles for financial tools and performance standards
- Rationale for the principles and how they align with feedback from stakeholders

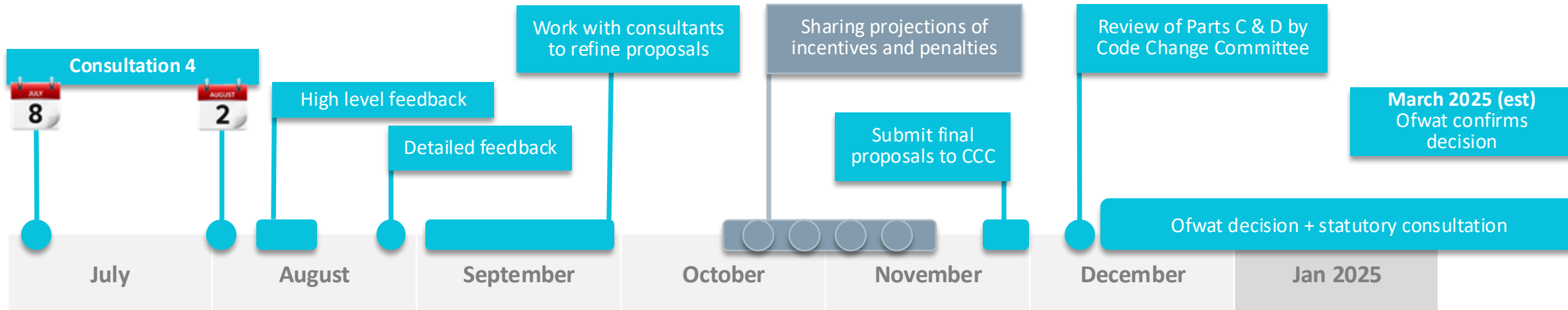
Section 3

Based on 1 & 2, **align the most appropriate financial tool with MPF metric(s)**

Including:

- Proposed charging model(s) and units for each metric
- Rationale for proposed charging models and link to principles in Section 2
- Indication of current performance and charges where there are equivalents in current MPF
- Examples of how the proposed charging models may apply in practice

Consultation 4 and beyond



Upcoming PAG workshop(s)

Date	For discussion	Detail
10th July	MPF Metrics*	M15 – Average lateness of failed SLAs for bilateral Requests & M18 Proportion of SLAs for bilateral requests completed on time
17th July	MPF Metrics*	MO1 – Cyclic meter reads performed within SLA (biannual or monthly) & MO3 Lateness of overdue cyclic meter reads
24th July	MPF Metrics*	M15 – Average lateness of failed SLAs for bilateral Requests & M18 Proportion of SLAs for bilateral requests completed on time
31st July	MPF Metrics*	MO1 – Cyclic meter reads performed within SLA (biannual or monthly) & MO3 Lateness of overdue cyclic meter reads

**Subject to change*

AOB

MOSL

mpreform@mosl.co.uk



List of Metrics - Key Performance Indicators (KPIs)

Ref	Group	Description
M01	Market meter KPIs	Cyclic meter reads performed within SLA (biannual or monthly)
M02		Proportion of smart meters read
M03		Lateness of overdue cyclic meter reads
M04		Proportion of transfer meter reads performed within SLA
M05		Proportion of transfer meter reads submitted within SLA
M06		Lateness of overdue transfer meter reads
M07		Proportion of consumption from cyclic meter reads performed within the biannual or monthly Service Level Agreement (SLA)
M08		Proportion of consumption settled on actuals vs estimates for smart meters
M09		Proportion of transferred SPIDs that have an estimated meter reading
M10		Number of Long Unread Meters (LUMs) with an outstanding B5 or C1 bilateral transaction request
M11	Data KPIs	Proportion of complete and accurate customer name/banner name and Standard Industry Classification (SIC) code
M12		Proportion of premises address data accuracy
M13		Proportion of unassured long-term vacant (LTV) premises
M14	Service request KPIs	Proportion of meters with credible GIS coordinates
M15		Average lateness of failed SLAs for bilateral Requests
M16		Proportion of deferred ORIDs
M17		Average length of deferrals per ORID
M18	Non market meter KPIs	Proportion of SLAs for bilateral Requests completed on time
M19		Cyclic non-market meter reads performed within SLA (biannual or monthly)
M20		Proportion of consumption from cyclic non-market meter reads performed within the biannual or monthly Service Level Agreement (SLA)
M21		Lateness of overdue cyclic non-market meter reads

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.