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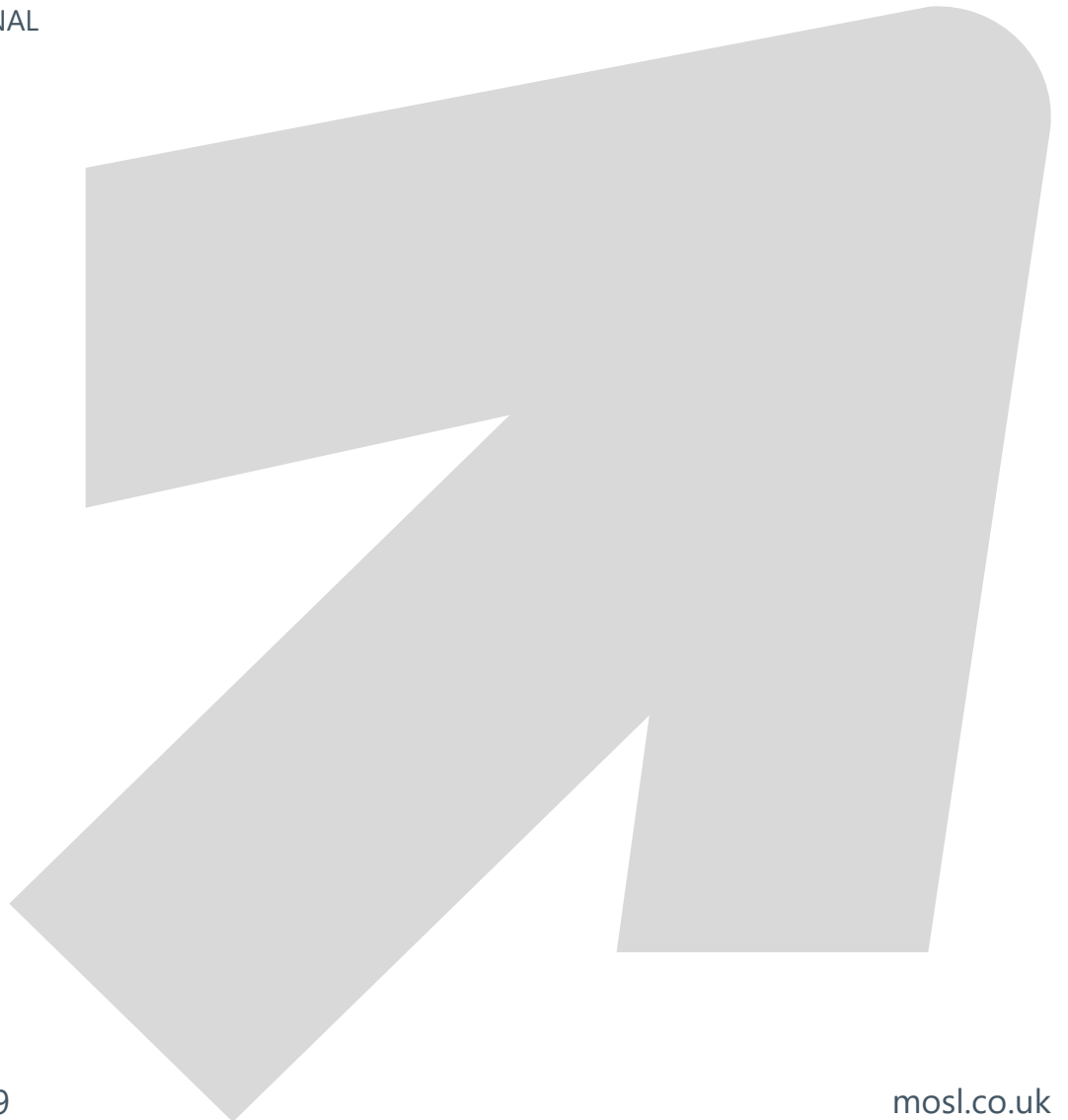


Performance Advisory Group (PAG) 39

Location: MS Teams

Date and time: 12 June 2024, 1000 - 1200

Status of minutes: FINAL



Meeting Minutes

Market attendees

Name	(Initial)	Role/Organisation	Name	(Initial)	Role/Organisation
Adam Boyns	AB	CCW (O)	Jon Fuller	JF	Wessex (W)
Bethany Wilkes	BW	Business Stream (R)	Pam Nash	PN	C&C (O)
Clare Garland	CG	UU (W)	Peter Strain	PS	Castle (R)
Claire Stanness	CS	Wave (R)	Rebecca Gale	RG	Waterscan (R)
Daniel Proctor	DP	Waterplus (R)	Shakima Fagan	SF	Everflow (R)
Emily Jerrome	EJ	Water2Business (R)	Sian Forward	SFo	Northumbrian (W)
Harriet Eames	HE	Yorkshire (W)	Syndiso Bango-Dube	SBD	Waterscan (R)
Gillian Bladen	GB	South West (W)	Shaun Kent	SK	Ofwat (O)
Gerard Lyden	GL	Thames (W)	Trevor Nelson	TN	Business Stream (R)
Jamie Davies	JDa	Castle (R)	Wendy Monk	WM	Wave (R)

MOSL Attendees

Name	(Initial)	Role	Name	(Initial)	Role
Chris Dawson	CD	Chair	Huw Comerford	HC	Observer
Jak Davidson	JDa	Presenter	Janet Judge	JJ	Presenter
Evan Joanette	EJo	Programme Lead	Lisa Connell	LC	Observer
Lisa-Ann Lott	LAL	Notes	Luke Coyle	LCo	Observer
Abby Jackson	AJ	Observer	Miles Robinson	MR	Presenter
Adam Richardson	AR	Observer	Nichola Sampford	NS	Observer
Amy English	AE	Observer	Sam Webb	SW	Observer
Flo Monea	FM	Observer	Steve Formoy	SFr	Observer

<p>1.</p>	<p>Welcome & update</p>
	<p>CD welcomed all members to the meeting, confirmed the agenda and the workshop format of the meeting including how the detailed design approval reaches sign off.</p> <p>CD reminded attendees minutes and slides are all published on the MOSL website for review and comment via mpfreform@mosl.co.uk.</p> <p>CD ran through the high-level programme plan.</p>
<p>2.</p>	<p>M04 read window</p>
	<p>JD provided a recap noting M04 looks at 2 SLAs for transfer reads; has the meter been read within a set window, currently transfer date minus two business days to plus seven and it is monitoring the submission of that meter read into CMOS with an SLA of eight business days from the meter read date.</p> <p>JD highlighted to achieve M04 as a metric both SLAs must be met noting previous discussions agreed to merge those under the one metric to ensure promoting the overall correct behaviours and outcomes for the customer.</p> <p>JD noted during discussions the length of the read window was highlighted for review to potentially extend it from the current minus seven business days to plus seven business days. The submission window however will not be extended.</p> <p>JD highlighted at market opening the read window was minus and plus two business days from the transfer date and despite an increase to the current position the proportion of actual versus estimated reads had actually increased in favour of estimates indicating increasing the read window further would not promote more actual reads.</p> <p>TN enquired with the evidence presented would MOSL suggest truncating the read window instead given stating not extending further as greater number of estimated reads now than before.</p> <p>JD noted no metric in place at present which monitors actual versus estimated readings and with the combined metrics would anticipate more actual reads in future.</p> <p>TN noted with the evidence presented there are other underlying issues which are causing more estimates not simply the read window and there is a need to understand those trends.</p>

JD noted the evidence indicates should return to minus and plus two business days however with a metric in place to monitor actuals versus estimated reads and for remaining within the read window would expect this to change.

TN noted should have further evidence to indicate whether the read window should be updated.

PS noted focus on estimated versus actual whereas any extension to the read window is purely to ensure reads are entered.

PS enquired when the read window was set to minus two plus two were 100% of transfer reads entered or with the extension to minus two plus seven is the market achieving a greater percentage of transfer reads.

SF noted graph is missing key information to draw conclusions highlighting market still experiencing supply chain issues following COVID and availability of meter read providers.

CD noted there may be other underlying changes in behaviour which are being masked by the effects of COVID.

JDa noted not sufficient evidence to make a decision and highlighted previous discussions where if measuring actual versus estimate this demonises estimates and enquired why the market is not seeking to actively measure reliable estimates.

JDa further enquired if a retailer has mostly estimate T reads however those estimates are correct, they do not change and the customer is in receipt of their final bill on time with no revised billing is this an issue.

JDa noted need to understand who is entering bad estimates and how many times these have to be changed as this is where the customer is impacted.

CD noted reviewing estimates versus actuals later in the agenda.

JD noted in previous discussions in regard to the read window it was indicated if the read window was extended this would provide the opportunity to enter a greater number of actual reads however the evidence does not support that view.

CS enquired if the graph would appear differently if reviewed alongside retailers estimates versus actuals noting some retailers are not seeking actual reads.

JD highlighted previous feedback from CS on the review undertaken by Metering Committee on the previous extension to the read window noting when trading parties were contacted to

	<p>establish if they had changed their processes to extend the read window they had not done so.</p> <p>CS confirmed the above to be the case as responses indicated some parties were unaware of the change and others had not made use of it.</p> <p>JD noted need for further review prior to deciding whether read window should be extended.</p> <p>CD noted need to provide additional evidence for decision on the read window.</p> <p>EJo noted M04 is an important metric which must be in place for April 2025 and retaining it as proposed does not appear to be objected to.</p> <p>EJo further noted can consider reviewing quality of estimates however this would be to fit into potential additional metrics in the new framework.</p> <p>JDa disagreed noting do not have evidence to show metric will have a positive impact and therefore need to understand the issues in the market in more detail.</p> <p>TN noted did not appreciate CMOS changes would be required to assess performance.</p> <p>TN highlighted from April 2025, with the rollout of smart metering, the ability to obtain dumb meter reads will radically reduce over time and access to meter read services will also reduce meaning over the performance review period will become increasing difficult to obtain actual reads for transfer reads particularly where a dumb meter remains. Therefore, need to consider the objectives of the metric.</p> <p>SFr reminded attendees of the MPF process thus far noting the feedback received in the meeting and recommending further review later in the meeting of metric M04 to ensure it is meeting its criteria.</p>
<p>3.</p>	<p>Transfer reads – scenarios, caveats & exclusions</p>
	<p>JD recapped on the metric design journey.</p> <p>JD noted not proposing for the new version of the transfer read metrics to change the logic regarding what is included for review e.g. they will use the market data set as at the time the report is run to monitor performance and anything changed later/back dated will not be taken into consideration.</p> <p>JD further noted plan to retain current MPF logic in regard to structure of SPIDS and occupancy status i.e. no exclusions for occupancy status on transfers whether occupied or vacant.</p>

JD highlighted will monitor on per meter per SPID thus if it is water only with one meter there would be one expected transaction and one expected task on which a party can pass or fail.

JD noted there are no exclusions for those SPIDs with open Bilateral requests and that is because estimated readings are accepted for MO4 and MO6 and an open Bilateral requests does not prevent a party taking a transfer read.

GB enquired why there are no exclusions for open Bilaterals e.g. when an open Bilateral request exists should be excluded from the estimated vs actual metric as likely to be an estimated read. Additionally, where an open Bilateral request is being excluded from LUMs and an actual read is entered should this not be noticed.

GB clarified where a long unread meter with an open Bilateral requests has an actual read obtained should this not be considered as it highlights a potential issue which may require investigation and/or adjustments to performance.

JD further clarified where a new retailer has managed to take a reading, find the meter and enter an actual read this would no longer be a LUM.

GB enquired if the meter moves from LUM to transfer actual read and a year later returns to being a LUM what happens.

JD noted for M09 would not want to remove the full picture of the market and where actuals are entered against those with Bilateral requests would want the ability to reward those entries.

TN noted difficult to judge the scenario as yet to be aware of the incentive to encourage the correct behaviour in respect of estimated versus actual reads and may disadvantage retailers when being monitored for actual reads on meters which may not be in the ground or be able to be read.

TN highlighted excluded for cyclic reading but not in transfer reading.

JD enquired in relation to M04 and M06 given all read types are being accepted would PAG accept not excluding open Bilateral requests.

GL agreed the logic noting the discussion had focused on M09.

GL noted there are only a limited number of permitted circumstances when an estimate can be submitted including an open bilateral request thus good reason to exclude those when reviewing performance.

<p>4.</p>	<p>M09 – Estimated vs Actual</p>
	<p>EJo ran through the current percentages of estimated versus actual reads highlighting estimated reads increased since COVID.</p> <p>EJo summarised the feedback so far on M09 noting some estimates are valuable however no evidence to change core obligations of MPF to move to estimates as default instead of actuals.</p> <p>EJo noted discussions indicating estimates can be revised/replaced and this can cause issues for the outgoing retailer and there may be a need to consider developing an additional metric to review this however this would be a PAC decision in due course.</p> <p>EJo further noted additional suggestions from PAG being retained on a backlog for future review.</p> <p>EJo highlighted not recommending penalising the use of estimates however the MPF may reward where actual transfer reads are used.</p> <p>EJo ran through options provided in regard to the time period the proportions of estimates versus actuals should be calculated over noting first option, only monitored those that are expected within the reporting period which is considered simplest, most consistent and would promote timeliness, the second option for every transaction received within a period would be used however this may promote late actuals over timely estimates.</p> <p>EJo noted need to consider, for option one, whether sufficient reads obtained to review over monthly performance or should these be aggregated over a rolling performance period.</p> <p>EJo recommended monthly monitoring would provide consistency with other KPIs and allow for quicker intervention if required.</p> <p>TN noted for transfer reads regardless of estimates or actuals customers with long unread meters may be disadvantaged and are less likely to be identified for transfer as retailers would need to enter an estimated read and this is a potential unintended consequence.</p> <p>EJo acknowledged TN’s feedback and noted potential additional metric to investigate how soon a new retailer brings in an actual meter read when prior to transfer was a LUM.</p>
<p>5.</p>	<p>M04, M06 & M09 – holistic review</p>
	<p>JJ confirmed holistic review stage of metric design for M04, M06 & M09 all related to transfer reads.</p>

JJ provided an overview of each of the three metrics highlighting M04 is the master as M06 considers M04 failures and M09 considers the transfer reads that were expected within the reporting period.

JJ highlighted the overarching rule being status when the report is run will be used for the metric calculation in line with current logic.

JJ noted metrics aiming to encourage more timely actual reads as this should provide accurate consumption leading to a better billing experience, few complaints and a more efficient handover between the parties involved.

JJ ran through the proposed model noting for each metric, the performance calculation, the performance standard, the charge type, the charge model, which party pays the charges and to which party they are paid.

TN enquired if still have eight business days to submit the read.

JJ confirmed same timeframe for an estimate as an actuals read within M04.

TN clarified this means 15BD in total.

JJ noted for M06 the performance standard is zero as all reads should be entered under M04 within the 15BD window.

JJ highlighted the performance charge would be applied from BD16 and would be per day late per month.

JJ noted the cut off point is six weeks and this is provided in the customer protection code of practice, given the impact should a read not be provided in this time a compensation charge per day late per month is proposed.

JJ highlighted for M09 not proposing penalties on estimates proposing to reward for actual transfer reads based on monthly performance which would be aggregated up.

JJ noted rewards will be funded by penalties and those rewards would be paid to the incoming retailer.

JJ provided the rationale for each metric; M04 is measured on a proportion of successful transfer and as estimates are permitted 100% should be achievable therefore a penalty per failure will be incurred. M06 measures lateness of missing transfer reads therefore the penalty charges progressively accumulate. M09 as described promotes the submission of actual versus estimated reads and is proposed to provide a reward for actual reads.

GL highlighted may drive unwanted behaviours as estimates can be submitted to prevent penalties for M04 and M06 and rewards could be received for actual reads thus no penalties paid however rewards received.

JJ noted M09 could be monitored via PAC audits and an ability to recover rewards could be included.

JD noted risk raised by GL that trading parties could enter estimates where difficult to read meters are, in order to pass M04 and M06 and where meters are easy to read entering actuals to gain rewards.

GL noted if not penalising estimated reads only penalising not submitting reads it may exacerbate current behaviours.

AB noted content with M04 and M06.

AB further noted key question of despite estimates only allowed in limited circumstances still large number versus actuals which makes allocating an incentive difficult as unknown if the reward will be sufficient to increase numbers of actual reads.

AB highlighted rewards should only be introduced when trading parties have exceeded in the delivery service or introduced a genuine innovation.

AB noted from a customer perspective issuing rewards for what should be BAU needs to be considered.

AB further noted the opportunity to potentially move away from redistribution of penalties at year end and move to using for other market improvement initiatives instead.

TN noted M04 and M06 not significantly different from current position.

TN further noted a threshold would be in place for any potential reward and these would only be available if funds were available and therefore may not be as much of an incentive as considered.

TN highlighted where an estimated read is badly wrong can cause significant issues with billing and settlement when reworked at later date and these metrics together perhaps do not remove this issue.

JJ enquired if reward is not sufficient to incentivise what would be the proposal.

SF noted content with proposals in particular as for M09 proposal is for rewards above a performance threshold and this represents a measured first step.

SF further noted inaccurate estimates are the real problem market should be seeking to solve and thus an additional metric to track that would be useful.

EJ noted increased costs of transfer reads over cyclic reads also need to acknowledge customer choice for transfer reads in particular where very large multi-site customers need to be served.

AR noted PAG feedback and highlighted need to balance perfection against pragmatism and agreed proposed metric to review individual reads to understand if they have been replaced and how different it is from original would be useful however would be difficult to build and potentially contain a lag therefore M09 good proxy for quality of transfer reads. Where poor performance is noted via the metric further deep dives can be actioned.

GL enquired if the design principle for the reward is from a potential pool of penalties paid against simply M04 or a wider pool of penalties.

JJ noted will be included within consultation four and will likely be from a wider penalty pool.

SF enquired if, for an additional metric, a simpler method of reviewing estimates would be to divide by LUMs, open Bilaterals or where customer has been asked for a read and not submitted it etc

TN noted if default is no penalty for M04 and M06 if estimated reads have been entered no money in the pool to pay reward for M09. May incentivise more estimated reads for M04 instead. Reward therefore should come from wider pool.

JJ noted need to consider the model for rewards and the wider versus narrow pool for retaining penalties.

CD enquired if solution presented was a pragmatic and appropriate design.

WM noted is pragmatic approach however need to consider the accuracy of estimates and the need to encourage good quality ones where applied.

AR noted need to consider the quality of an estimate and suggested utilising audits instead of designing a complicated metric and enquired if this approach supplemented with audits would be appropriate.

JDa noted may not be complicated to track revisions to estimate reads.

JDa further noted approach could work however it will be dependant on how the performance penalties mix with the performance payment for outperformance. At present difficult to determine the threshold.

	<p>JDa highlighted not convinced by M09 as bad estimates are the problem not all estimates.</p> <p>TN noted content as appears familiar however concerned may not 'move the dial' sufficiently to gain Ofwat backing.</p> <p>JJ highlighted from previous discussions feedback which indicated retailers should not be penalised for estimated reads where they have agreed this with their customer this is not in line with the market codes as trading parties are only allowed to use estimates in limited circumstances.</p>
6.	Consultation 4 update
	<p>MR ran through a recap on the consultation process utilised so far noting the intention to launch a fourth consultation on the financial tools on 8 July to run until 2 August.</p> <p>MR noted pre-read documentation will be sent in advance of the consultation in three parts.</p> <p>MR provided an overview of the content of the three documents which will be provided in advance:-</p> <p>Part one – overview of the consultation process and the success criteria seeking to achieve from the new framework and the financial tools.</p> <p>Part two – the principles applied to the financial tools including definitive list of the tools.</p> <p>Part three – the proposed charging model and the chargeable units for each metric.</p> <p>MR noted if any clarifications are required once advance documents received PAG to enquire via mpreform@mosl.co.uk</p>
7.	Upcoming PAG workshop(s) & AOB
	<p>CD ran through upcoming meetings noting cadence increased to weekly until late September.</p> <p>JDa enquired if slides can be shared in advance in particular in regard to any metering metrics.</p>