

Market Performance Framework (MPF) Reform

Part C – key performance indicators

10 July 2024

A photograph of a person's hands typing on a laptop keyboard. The laptop screen displays a presentation slide with a light green 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 several hashtags: '#search #business #concept #keywords #design #innovate'. The laptop is resting on a wooden desk.

MARKET
VALUE
ADDED

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

Agenda

	Item	Presenter	Time
1	Welcome & update	Chris Dawson (Chair)	10 mins
2	Bilateral KPIs <ul style="list-style-type: none">• M15 Average lateness of failed SLAs for bilateral Requests• M18 Proportion of SLAs for bilateral requests completed on time	Oli Robins	95 mins
3	Consultation 4	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



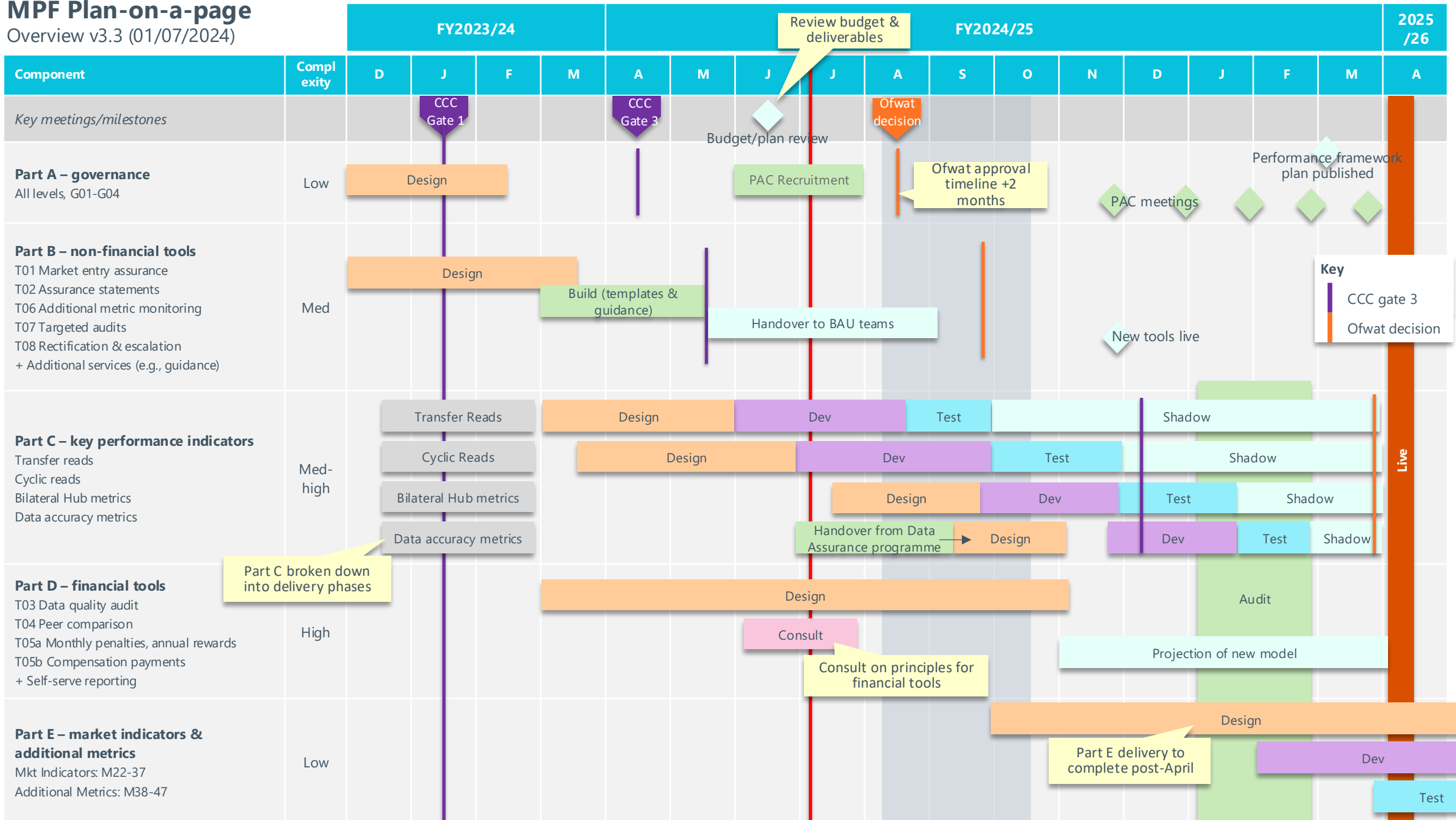
We will allow time for questions
Chat and Questions mpreform@mosl.co.uk



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

MPF Plan-on-a-page

Overview v3.3 (01/07/2024)



Key

- CCC gate 3
- Ofwat decision

Part C broken down into delivery phases

Consult on principles for financial tools

Part E delivery to complete post-April

Live

Market Performance Framework (MPF) Reform

PAG workshop on Bilateral Requests Key Performance Indicators (M18 & M15)

10 July 2024

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MARKET
VALUE
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#search #business #concept
#keywords #design #innovate

Agenda

- Metric High Level Journey
- Bilateral Request KPIs Overview
- Problem Statements
- Desired Outcomes
- Previous feedback (consultation + BR-MeX)
- Initial design considerations and questions



PAG Input

What do we need from PAG members?



Feedback on the **problem statements**

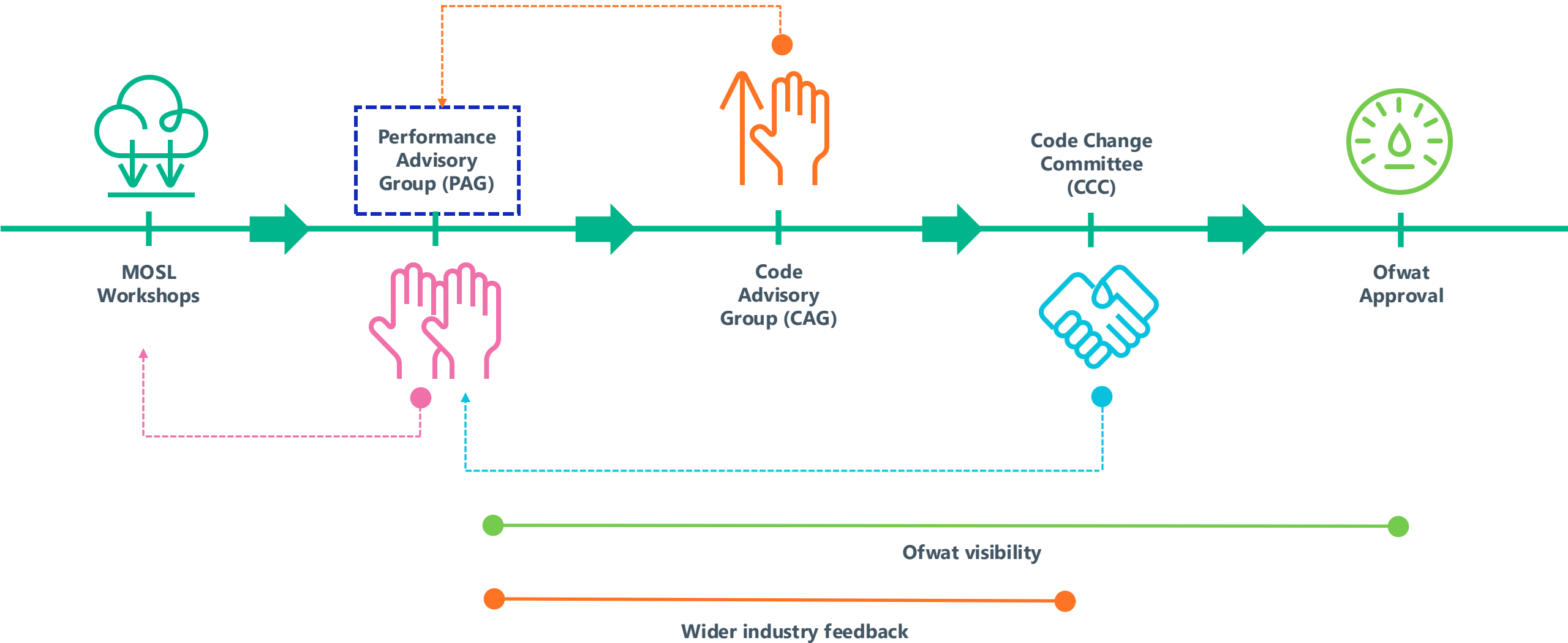


Feedback on the **desired outcomes**



Feedback on **initial design questions**

Metrics – High Level Journey



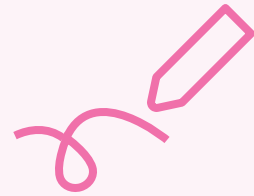
Metric Design Journey



**Metric
Title/Concept**

**Overarching
metric name**

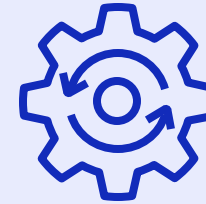
Consultation
feedback received



**Metric design
theory**

Defining the
metric theory

Input
Question
Output



Tools

Defining what
financial incentives
should apply;

Penalties
Rewards
Compensation
Standards
BR-MeX?



Scenarios

Defining **how** the
metric should handle
specific scenarios.

MPF Principles



Simplicity



Facilitate improved
customer outcomes



Improve trading party
accountability



Enduring & **Agile**




Transparent &
proportionate

Bilateral Request KPIs Overview

What are we focussing on today?

KPIs in focus today

 **M18** – *Proportion of Bilateral Requests complete on time**

 **M15** – *Average lateness of failed SLAs for Bilateral Requests**

*Names to be reviewed with design

Key code obligations

Operational Terms

2.1.1 Trading Parties are required to use the Bilateral Hub [...] to raise, progress and complete Requests where the relevant process is available and the Request has been commenced via the Bilateral Hub.

2.5.1 These Operational Terms set out SLAs within which the Wholesaler and the Retailer shall be required to complete relevant process steps.

2.5.2 These SLAs represent the minimum levels of service and, where possible, the Wholesaler and the Retailer should each seek to improve on these SLAs for the benefit of Non-Household Customers

Detailed obligations in the Operational Subsidiary Documents

Bilateral Request KPIs Overview

What are we focussing on today?

KPIs in focus today



M18 – *Proportion of Bilateral Requests complete on time**



M15 – *Average lateness of failed SLAs for Bilateral Requests**

*Names to be reviewed with design

Key Q being asked


M18 - What proportion of SLAs were completed on time (in report period)?

M15 - What is the total and average lateness of missed SLAs (in report period)?

Bilateral Request KPIs Overview

What are we focussing on today?

KPIs in focus today

 **M18** – *Proportion of Bilateral Requests complete on time**

 **M15** – *Average lateness of failed SLAs for Bilateral Requests**

*Names to be reviewed with design

Key Q being asked

M18 - What proportion of SLAs were completed on time (in report period)?

M15 - What is the total and average lateness of missed SLAs (in report period)?




Similar concept to M04 and M06 (transfer read KPIs)

Bilateral Request KPIs Overview

What are we focussing on today?

KPIs in focus today

 **M18** – Proportion of Bilateral Requests complete on time*

 **M15** – Average lateness of failed SLAs for Bilateral Requests*

*Names to be reviewed with design

Related KPIs to consider

M10 – Number of LUMs with outstanding B5s/C1s

M16 – Proportion of ORIDs which have not been deferred

M17 – Average length of deferrals per ORID

Associated Tools

Peer comparison reports

Financial tools (plus BR-MeX)

Other tools (e.g., audit)

Additional Metrics and Market Indicators

Consultation Feedback on M18 and M15



All measure Wholesaler behaviors around bilaterals and is welcomed



M15: being averaged across all SLAs may mask certain behaviours



Welcome the metrics, there is inadequate incentivisation for wholesalers to complete bilateral requests in a timely way



Whilst averages can be useful they should be used with caution for performance comparison. Reference to the distribution (e.g. standard deviation reporting) can aid understanding of a single point average and comparison with others



Do not believe it appropriate for the same KPI to impact multiple activities i.e. A7 & A9



Supportive but not clear how delays in B5 reflect on asset's status. May be completed late with the outcome the meter isn't faulty



Critical that analysis of Wholesaler ORID deferral reflects where an individual issue has been deferred on multiple occasions

Consultation Feedback on M18 and M15



All measure Wholesaler behaviors around bilaterals and is welcomed ✓



Welcome the metrics, there is inadequate incentivisation for wholesalers to complete bilateral requests in a timely way ✓



Do not believe it appropriate for the same KPI to impact multiple activities i.e. A7 & A9

No double counting/charging in MPF 2.0



Supportive but not clear how delays in B5 reflect on asset's status. May be completed late with the outcome the meter isn't faulty

Materiality of exceptions to be discussed



M15: being averaged across all SLAs may mask certain behaviours

For setting incentives (reports, charges)



Whilst averages can be useful they should be used with caution for performance comparison. Reference to the distribution (e.g. standard deviation reporting) can aid understanding of a single point average and comparison with others

For setting incentives (reports, charges)




Critical that analysis of Wholesaler ORID deferral reflects where an individual issue has been deferred on multiple occasions

When discussing M16/17

BR-MeX Feedback on M18 and M15

- **IF** included in BR-Mex, M15 and M18 could consider **the entire set of OPS SLAs** and be combined into a **single performance score for simplicity**.
- A combined performance score should fairly account for the following:
 - Scores should reflect poorer performance on M18 (all other things being equal).
 - Scores should reflect poorer performance on M15 (all other things being equal).
 - Scores should reflect the difference in failing a short SLA by X days compared to failing a longer SLA by same X days.
 - Scores should be normalised for fair comparison - Wholesalers of different scale with equivalent performance on M18 and M15 should be scored equally.

Possible method for combining M18 and M15 =
$$\frac{\text{Sum of: (total lateness/SLA)}}{\text{Total no. SLAs completed}}$$
 ← Per SLA [total lateness/SLA for B5], + [total lateness/SLA for C1], + [total lateness/SLA for F5]...

 **To be revisited when discussing incentives (reporting and charging)**

E.g.,
1000/25 + 500/12 + 100/8...

Bilaterals in MPF 1.0 (OPS SLAs)



Operational Performance Standards (OPS) dashboard

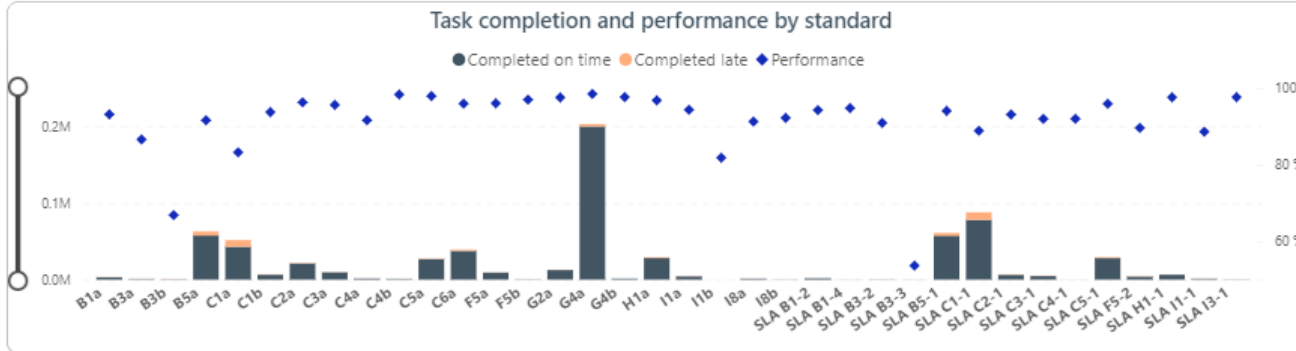
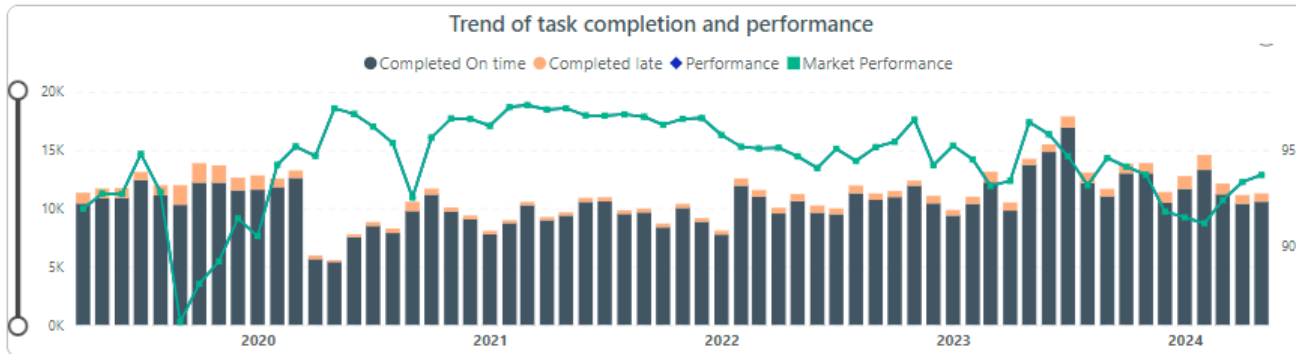
Overview

Overview Trading Parties Detail About MOSL

Bilaterals data as of 01/05/2024 Legacy data as of 01/03/2024 Last update 18/06/2024:23:02

Total tasks **695K** On time tasks **655K** Late tasks **40K** Performance **94.24 %**

Bilaterals Legacy



Period
Grouped by financial year

- Select all
- 2024/25
 - 01/04/2024
 - 01/05/2024
- 2023/24
- 2022/23

Wholesalers
Grouped by type

Search

- Select all
- NAV
 - Leep Water Netwo...
- WaSC
 - Anglian Water
 - Northumbrian Water
 - Severn Trent Water
 - South West Water
 - Southern Water
 - Thames Water
 - United Utilities Wa...
 - Wessex Water

OPS
Grouped by process

Search

- Select all
- Part B: Metering
 - B1a
 - B3a
 - B3b
 - B5a
 - SLA B1-2

Bilateral Days Past SLA
0.00
1.41
13.18
0.00
5.07
9.18
13.37
3.71
61.46
0.35
34.21
11.47
0.89
24.77
27.65

Bilateral Days past SLA

=
[wholesaler's late tasks
as a percentage of all
open tasks]
*
[average no. of days that
all late tasks have
exceeded their SLAs]

Scores from May 2024
Excludes deferral days

Problem statements (current OPS)

- Lateness of SLA completion is not directly reported or financially incentivized in MPF 1.0
- Reports only call out what is **late** (over SLA) and **extremely late** (over 2*SLA)
- OPS charges only consider the **first time** an OPS SLA has been missed



- MPF 1.0 does not provide a view on the **total time** for bilateral requests to be resolved
- Customer experience can be very different to what is published and attributed to individual parties.

- Comparisons (e.g., holistic reports) do not sufficiently account for different Wholesalers of different size and/or bilateral request volumes.



- **Inconsistencies** between *what is reported in performance vs what is charged*
- E.g., SLAs in cancelled requests included in performance reports but not charging
- E.g., SLAs in resubmitted request included in performance reports but not charging

 **Anything else?**

Desired outcomes (M15 and M18)

Key Q being asked

M15 - What is the total and average lateness of missed SLAs (in report period)?

M18 - What proportion of SLAs were completed on time (in report period)?

Desired Behaviours

Pass all SLAs first time around (at least to minimum standard – standard TBC)

Failing that, complete SLAs as soon as possible once failed

Do not prioritise SLAs which are yet to/less likely to fail at the expense of failed SLAs

Desired Outcomes

Customers - assets, services and queries are resolved to quality and time expectations

Trading Parties - consistent and predictable levels of service, reduced customer contact, correct settlement and data.



Anything else?

Other factors to consider

Quality

- Incentives (reports, charges) attached to M18 and M15 should not risk the quality of completion

Resubmissions

- Unnecessary resubmissions could impact performance
- Additional metrics and/or audits required?

Deferrals and rejections

- M18 and M15 should acknowledge the legitimacy of deferrals and **not** result in requests being rejected instead of deferred
- Additional metrics and/or audits required on rejections?

Request closure

- Dependency of retailer's closing down requests - not all request types have time-out closures...

Proportionality

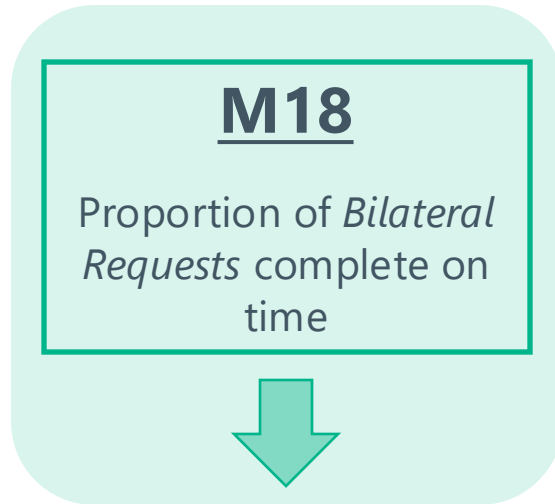
- Incentives attached to M18 and M15 should fairly account for Wholesalers of different scale/request volumes
- Use of financial tools is dependent on BR-MeX decision



Anything else?

Initial Design Considerations – M18 & M15

Potential M18 Design – high level overview



“Bilateral Requests” = OPS SLAs

OPS SLAs = SLA B1-2, SLA B1-4, SLA B3-2, SLA B3-3, SLA B5-1, SLA C1-1, SLA C2-1, SLA C3-1, SLA C4-1, SLA C5-1, SLA F5-2, SLA H1-1, SLA I1-1, SLA I3-1

All OPS SLAs vs subset vs alternative SLAs?

Closed only, or Closed + Cancelled?

Input

All Bilateral Requests which have been **closed** in performance month

Question

Was the SLA(s) completed in time (**excluding** BDs with permitted deferrals)?

Output

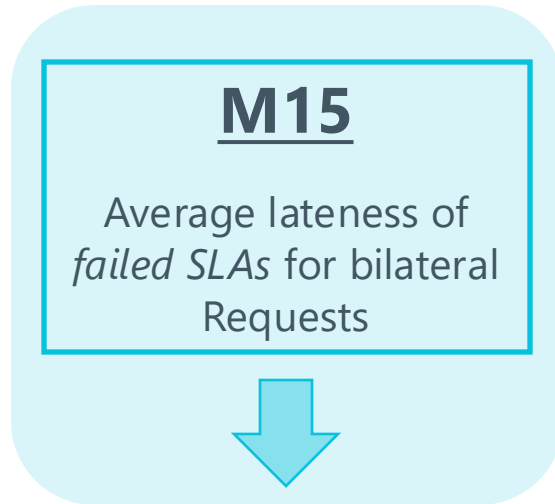
Yes = Pass
No = Fail

Performance

All SLAs from Bilateral Requests closed in performance month **vs** SLAs completed on time from Bilateral Requests closed in performance month (%)

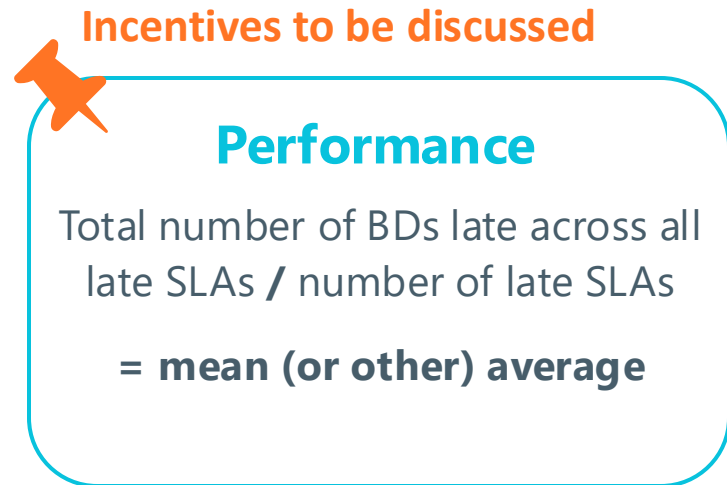
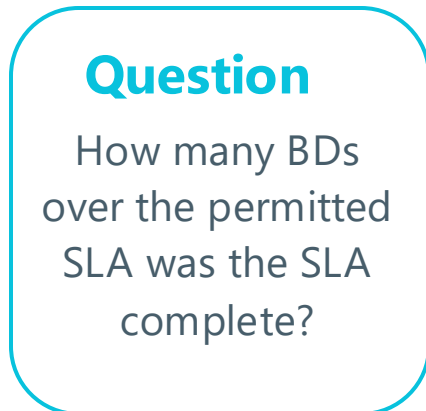
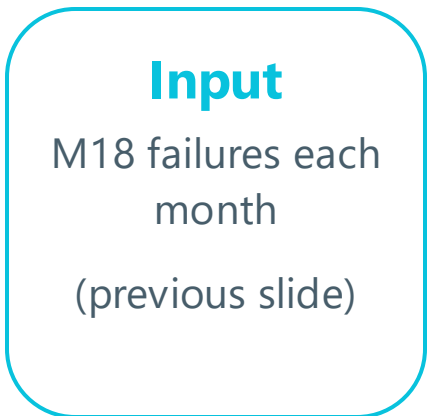
Incentives to be discussed

Potential M15 Design – high level overview



“Failed SLAs” = M18 failures

Or inflight?



Incentives to be discussed

What to do with resubmissions?

Resubmissions are included in performance reporting but are not eligible for charging in MPF 1.0. Since 01/07/2023:

- **176,896** ORIDs have been raised
- **8,656** with at least one resubmission (**4.89%** of all ORIDs)
- The maximum number of resubmissions on one request is 10

No. of resubmissions on one request	Count	% of resubmitted requests	% of total requests
10	1	0.01%	0.0006%
9	0	N/A	N/A
8	4	0.05%	0.0023%
7	2	0.02%	0.0011%
6	13	0.15%	0.0073%
5	27	0.31%	0.0153%
4	95	1.10%	0.0537%
3	280	3.23%	0.1583%
2	1170	13.52%	0.6614%
1	7064	81.61%	3.9933%
	8656		

Split of resubmission reason codes since 01/07/2023:

- DISPOUTCOME = 6247 (**57%**)
- DISREJECT = 2929 (**27%**)
- DISPCMOS = 1649 (**15%**)
- DISPQUOTE = 68 (**0.62%**)
- Total = 10893 (higher than ORIDs with at least one resubmission as some ORIDs had multiple resubmissions)

How should SLAs in resubmitted requests be treated in M18 and M15?

- Included in performance reporting but not charging (as per today)
- Not included in either
- Included in both -> similar concept to M01 (prop. cyclic reads on time) & M04 (prop. transfer reads on time)

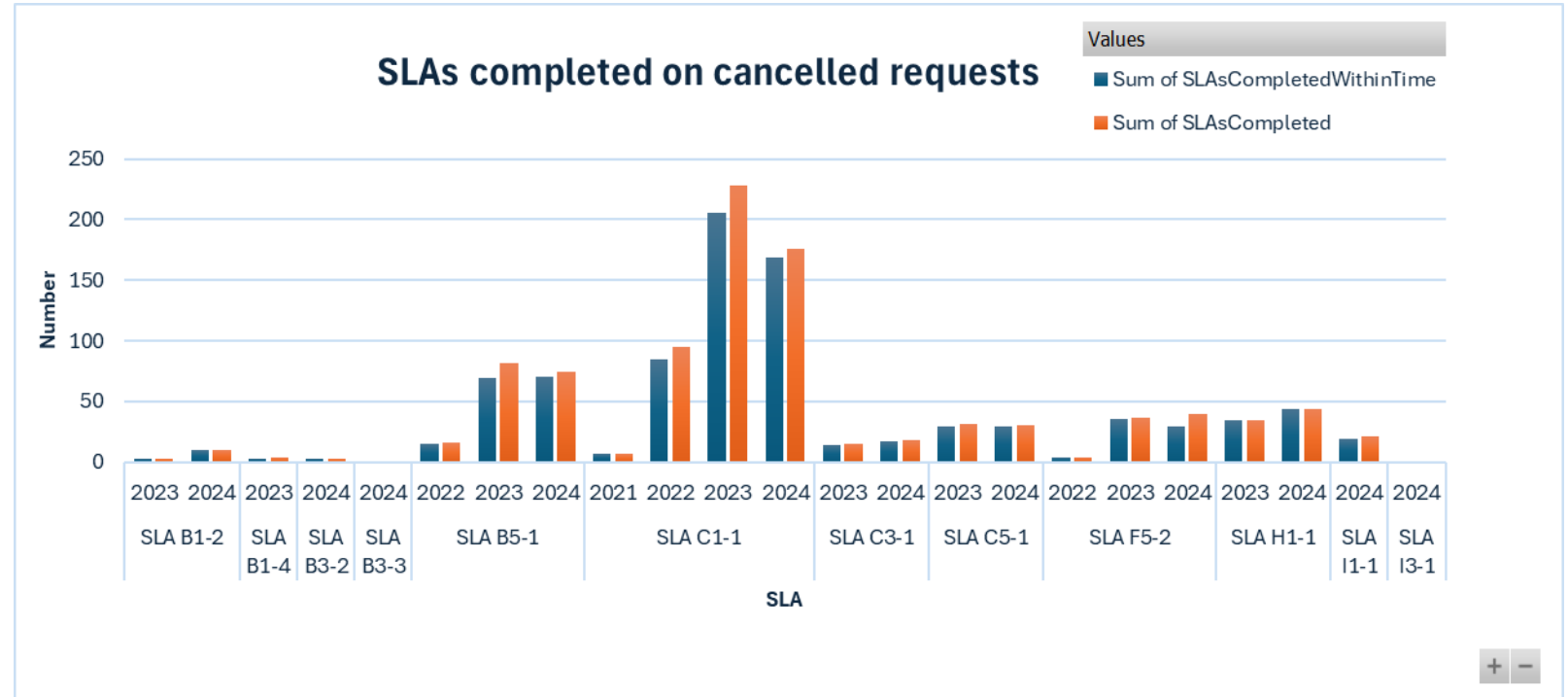
What to do with cancellations?

Cancelled are included in performance reporting but are not eligible for charging in MPF 1.0. Since 01/05/2021:

- **205248** SLAs completed on all requests
- **976** SLAs completed on cancelled requests (**0.48%**)
- Performance on cancelled and not cancelled requests is the same across period (**92%** on time)

How should SLAs in cancelled requests be treated in M18 and M15?

- Included in performance reporting but not charging (as per today)?
- Not included in either
- Included in both



Questions to take away



Priority Qs for KPI Design

- 1) What behaviours and benefits should these KPIs be driving, and what do they need to guard against?
- 2) Are any other metrics or indicators required to supplement M15 and M18 (e.g., end to end view of request completion)?
- 3) Should these KPIs change/exclude any current OPS SLAs or include any other SLAs?
- 4) How should SLAs in resubmitted and cancelled requests be treated?
 - a. Included in performance reporting **but not** charging (as per today)?
 - b. Not included in either
 - c. Included in both

Qs for incentive design (later workshops)

- 1) How should performance on M18 and M15 be reported?
 - a. Should M15 present a mean or median average of lateness?
 - b. Should public comparisons focus on a selection or all SLAs (e.g., B5 + C1 only)?
 - c. Is a combined view of M18 and M15 preferred?
- 2) Initial thoughts on proposed charge models (consultation 4)

Responses to:

mpreform@mosl.co.uk

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

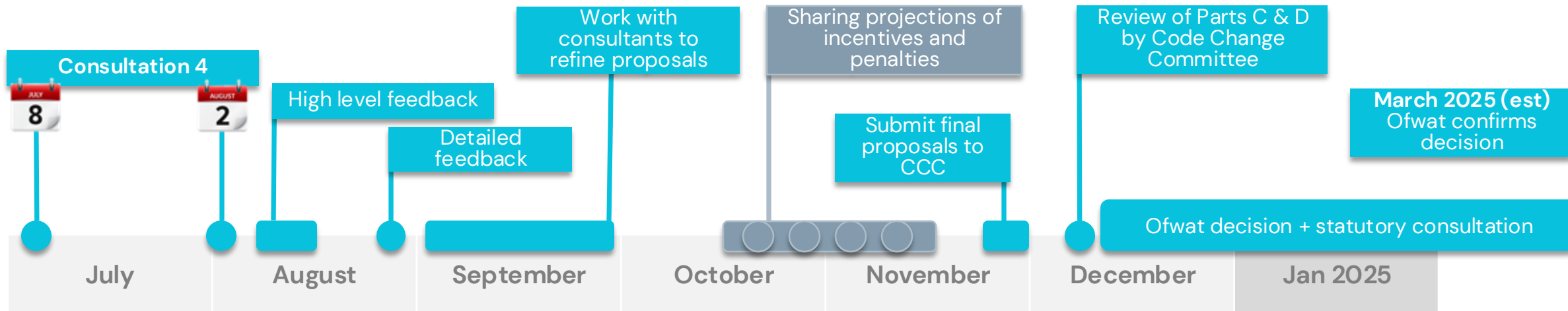
Section 3

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 practice²⁹

Consultation 4 and beyond



Upcoming PAG workshop(s)

Date	For discussion	Detail
17th July	MPF Metrics*	M19 – Non-market meter reads performed within SLA (biannual or monthly) & M21 Lateness of overdue non-market meter reads
25th 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*	M19 – Non-market meter reads performed within SLA (biannual or monthly) & M21 Lateness of overdue non-market meter reads

**Subject to change*

AOB

MOSL

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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.