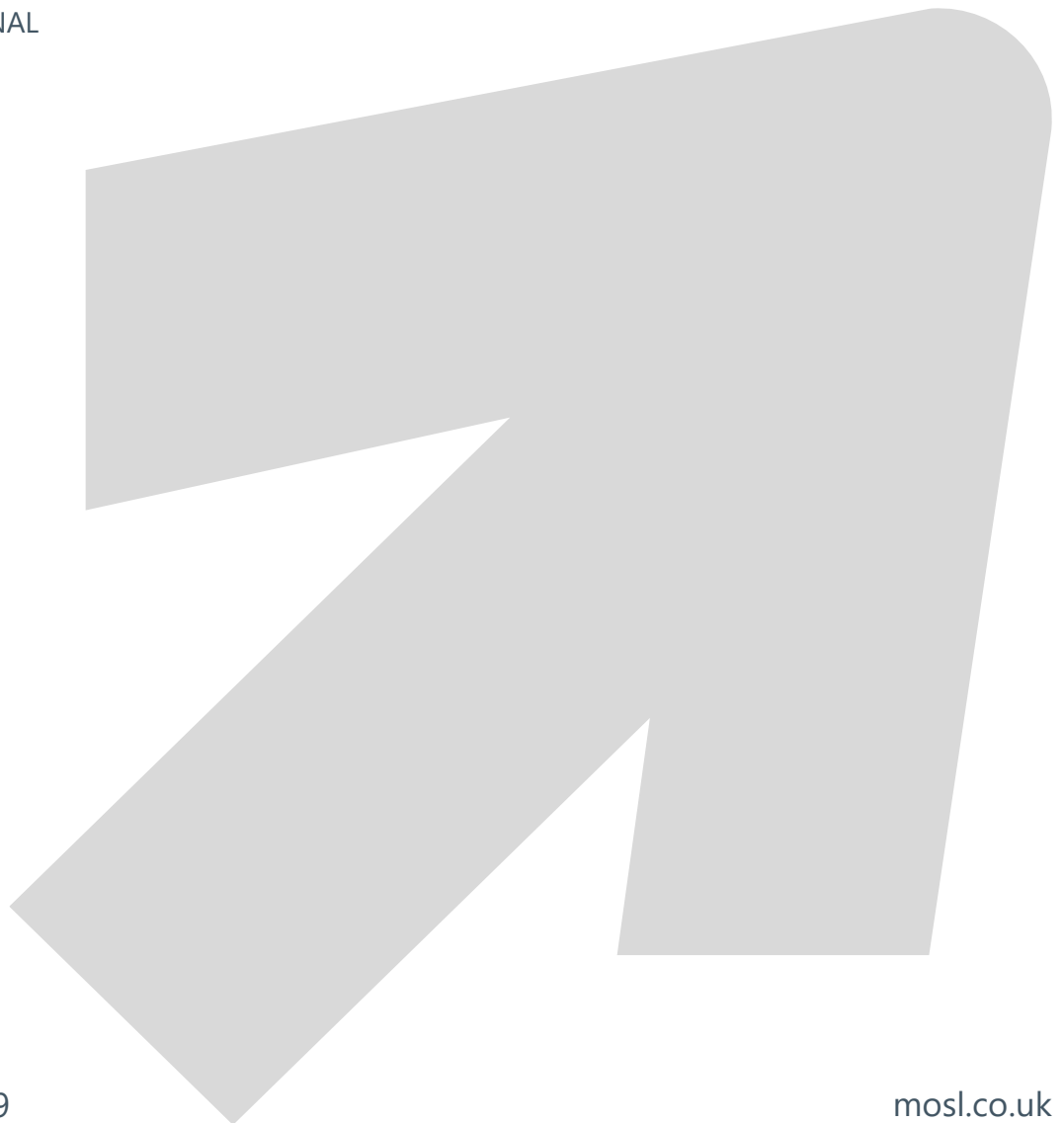


Performance Advisory Group (PAG) 51

Location: MS Teams

Date and time: 04 September 2024, 1000 - 1200

Status of minutes: FINAL



Meeting Minutes

Market attendees

Name	(Initial)	Role/Organisation	Name	(Initial)	Role/Organisation
Adam Boyns	AB	CCW (O)	Letoia Mann	LM	Clear Business (R)
Claire Stanness	CS	Wave (R)	Lewis Campbell	LC	Castle (R)
Clare Garland	CG	United Utilities (W)	Mike Rathbone	MR	Severn Trent (W)
Daniel Proctor	DP	Waterplus (R)	Noel Bradley	NB	Yorkshire (W)
David Morris	DM	Waterplus (R)	Pam Nash	PN	C&C (O)
Emily Jerome	EJ	Water2Business (R)	Paul Baker	PB	Business Stream (R)
Gerard Lyden	GL	Thames (W)	Paul Walmsley	PW	Yorkshire (W)
Jamie Davies	JD	Castle (R)	Peter Strain	PS	Castle (R)
Jon Fuller	JF	Wessex (W)	Robert Hetherington	RH	Ofwat (O)
Jordanna Lo	JL	Business Stream (R)	Shaun Kent	SK	Ofwat (O)
Julie-Ann Anderson	JAA	Ses (W)	Sian Forward	SFo	Northumbrian (W)
Karen Winfield	KW	Anglian (W)	Sindiso Bango-Dube	SBD	Waterscan (R)

MOSL Attendees

Name	(Initial)	Role	Name	(Initial)	Role
Chris Dawson	CD	Chair	John Gilbert	JG	Observer
Oli Robins	OR	Presenter	Luke Coyle	LCo	Observer
Adam Richardson	AR	Observer	Miles Robinson	MRo	Observer
Amanda Plumb	AP	Observer	Monica Falasca	MF	Observer
Amy English	AE	Observer	Nichola Sampford	NS	Observer
Flo Monea	FM	Observer	Sam Webb	SW	Observer
Huw Comerford	HC	Observer	Sauda Dickinson	SD	Notes

Janet Judge

JJ

Observer

Simon Bennett

SB

Observer

<p>1.</p>	<p>Welcome & update</p>
	<p>CD welcomed all members to the meeting and confirmed the agenda. CD reminded attendees that agenda, minutes and slides are published on the MOSL website for review and questions and comments to be sent via mpreform@mosl.co.uk. CD presented a reminder on the delivery phases for part C and the MPF plan.</p>
<p>2.</p>	<p>Bilaterals Metrics</p>
	<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. <p>OR presented To Cover, as on slide 7. OR presented a reminder of the KPI Design Summary, as on slide 11. OR presented a Demonstration of scenarios, as on slide 12. OR presented a view of Assessment vs Baseline, as on slide 13. OR presented a view of Next steps for other feedback, as on slide 14.</p> <p>PB advised that only measuring and incentivizing time could drive the wrong behaviours, and that resubmissions and escalations should be considered and noted that just measuring the time for when a wholesaler says it's complete, is not measuring delivery of customer outcomes.</p> <p>OR noted that discussion for measuring quality were previously had around additional metrics or audits and potentially future changes and that it will be reflected in any documentation sent out by MOSL.</p> <p>CS noted concern around rejections on bilaterals increasing and questioned how that would be managed and monitored. OR advised that that concern was noted as part of the risk of inconsistent/poor behaviour and advised that the concern for increased rejections will be considered and that audits and additional metrics were discussed as potential means to mitigate that concern.</p>

NB question whether a decision was made regarding average lateness as to whether we'll be looking at mean or median averages.

OR advised that it will be picked up later in the discussion when looking at reporting and charging.

NB further advised that a decision around using a mean or median average would need to be made based on live data showing how it would affect a small wholesaler and a larger wholesaler.

OR advised final decisions must be made looking at data and the impact it would have.

GL noted that the discussion around quality of bilateral submissions from retailers, which also influences the ability for wholesalers to deliver on time needs to be added to the feedback table.

OR noted that would be updated and added in any documentation issued, including quality of completions and quality of submissions.

LM noted agreement with the request for efforts around monitoring quality.

OR presented a **Summary of consultation 4 proposal**, as on slide 16.

OR presented an **example of Charging on M18**, as on slide 17.

OR presented an **example of Charging on M15**, as on slides 18-19.

OR presented a view of **Consultation 4 feedback**, as on slides 20-22.

OR presented **Questions for PAG on financial tools**, as on slide 23.

In response to Q1:

PB noted that retailers already have a double jeopardy of competitive market that does not exist for wholesalers and that the point that wholesalers have deferrals and the ability to pause the SLAs should be considered when assessing the stringency of penalties.

OR agreed that there needs to be a balance on where incentives are set and that PBs point will be taken into consideration and further discussed.

CD noted that thumbs up were received by some PAG members in agreement with the proposal and the points made.

In response to Q2:

GL advised that there are difficulties in setting absolute targets and a standard that is seen to trigger outperformance and underperformance and that there needs to be a larger discussion around what the role of outperformance and underperformance standards are.

OR agreed that some of the questions presented are bigger questions which apply across the board and not only to M15 and M18 and advised that the next step is to look at actual data to be able to demonstrate what current performance would be with these new KPIs and determine whether this conceptual model works.

In response to Q3:

GL agreed with the suggestion presented but advised that the better solution would be the BR-MeX solution and advised that charging for each day late is more sensible than charging for average lateness.

NB advised that charging for each day seems to make the most sense conceptually but that the best way to decide would be to use actual data from the market to compare the impact of charging for each day versus charging on average lateness.

OR advised that the next step would be to model this with data.

GL questioned whether it would be worth reaching out to wholesalers to have a look at their oldest outstanding requests to understand why they have not been closed as that could help identify and consider the reasons for lateness and ensure fairness around the metric design and penalties.

OR advised that a request could be sent out to wholesalers for that information and used in the next steps of looking at the data.

NB advised that that data may already be available from when manual OPS was stopped.

In response to Q4:

There were no questions, comments or opposing views raised.

In response to Q5:

GL advised that setting the line for what good performance looks like is a difficult task and noted that consideration needs to be taken around outperformance payments and where they would be funded from.

OR noted that that is a fundamental question which needs to be discussed at the Consultation 4 in-person feedback session.

AB agreed that discussions need to be had around where the standard is set for outperformance and that it needs to be an exceptional standard for rewards to be considered.

AB further advised that customers are generally sceptical of the notion of rewards for performance standards and noted that research was conducted with business customers on their wholesaler services and the sentiment has come out that it needs to be truly exceptional performance.

OR noted that it is critical to not set a performance standard with the view of making sure there are funds for an outperformance payment, but that the standards are set where you need performance to be from the customer's perspective and your end outcomes perspective.

JD agreed that the funding model around outperformance needs to be discussed at the in-person feedback session and advised that the codes need to be considered and noted that an obligation cannot be outperformed, an obligation is either met or not.

JD further advised that that aspect needs to be discussed rather than adding complexities through outperformance payments that may not exist and that if outperformance payments are guaranteed to exist, payments would need to be based on a minimum performance standard which captures penalties regardless of what the minimum performance standard is.

OR confirmed that, as one of the key themes, the funding model around outperformance will be discussed at the in-person feedback session.

PB advised that outperformance is not about how many times you meet the minimum standard but about doing it quicker than the minimum standard and further noted concern about incentivizing time too strongly as it could drive the wrong behaviours and that needs to be balanced by having the correct checks in place and ensuring completeness.

CD agreed that outperformance is doing it quicker while still maintaining the quality and completeness.

In response to Q6:

JL advised that the customer is the one impacted if retailers don't meet the obligations and questioned how the customer would be refunded when it's not being done on time.

OR noted the difficulty around the customer impacts and payments and uncertainty around how the MPF could accommodate that.

GL noted a disagreement with compensatory payments and advised that the retailer and wholesaler needs to work well together and communicate with the customer, to get the quickest and highest quality outcome for the for the customer and noted that compensatory payments from a wholesaler to a retailer would undermine that.

GL further advised that the way compensatory payments are being proposed are effectively just a kind of flat rate penalty based on a failure, and that that is double jeopardy with financial penalties within MPF.

GL further question how compensation is proposed to be dealt with and that compensation, in English law, is about damages and that all parties need to have taken all reasonable steps to mitigate any actual losses and advised that the concept of compensation being discussed, would require a lot of detail around those mitigations in place and the actual loss incurred.

OR noted that concerns around what the practical, legal implications and conceptual implications are, were heard with other Consultation 4 feedback and that discussion would also be picked up at the in-person session.

AB noted that trading parties could potentially be compensated by someone else's underperformance but that a legal process would need to be followed, compensating the actual harm suffered and therefore it would not be appropriate to sit within the MPF.

AB further noted that the MPF is there to drive and incentivise improved performance for the benefit of the whole market and customers, and that there is already a suite of tools that are appropriate to incentivise that.

CS questioned whether the codes would allow this and that it takes away a part of the competition element and questioned where the line would be drawn with compensatory payments as it could cause more problems and cause hostility between trading parties.

OR noted thumbs-ups were received for points raised by CS and noted that the feedback received is that it does not encourage collaboration and disincentivizes people to collaborate in places and that in every case it's not necessarily a true representation of damage incurred.

OR presented **Questions for PAG on reporting**, as on slide 25.

GL advised that having more transparency adds the most value and noted that better transparency around trading parties' performance allows for better learning experiences.

OR questioned what sort of information trading parties would want to be available to someone outside of the industry, what information would be meaningful to customers and questioned if there was information trading parties would not want other trading parties to see, around performance.

	<p>GL noted that it's about how you structure your public data and that there is often pushback from people who want to see the data behind the data and advised that it's about how we communicate the data and structure the headline data.</p> <p>SK advised that if these metrics are included in BR-MeX, transparency would be an important point.</p> <p>NB noted support of the idea of full transparency and advised that the only thing we want to do different for customers is contextualise things for them, so the volume of tasks and breakdowns would need to be included with customers.</p> <p>AB noted support of the idea of full transparency and advised that you do not want to have an information overload for customers but that some customers would like to have a deeper dive into the data, so there should be consideration on how we make the more detailed data available where relevant.</p> <p>OR advised that an email would be sent out offline from MOSL to send through more input and thoughts offline.</p>
<p>4.</p>	<p>Upcoming PAG workshop(s) & AOB</p>
	<p>CD noted a reminder that the nominations for PAC are open and that a link was shared in the chat to the nominations page on the website for anyone considering applying for a PAC role.</p> <p>CD presented an overview of upcoming PAG meetings.</p> <p>JJ presented a reminder on the question asked at PAG49 around M12, as on slide 28, and noted that that question will be brought back at the next PAG session for M12.</p> <p>AB questioned the details around the in-person session.</p> <p>JG advised that the session would start at 10:30 and end at 16:30 and that a Mailchimp has been sent out with more details.</p> <p>SB sent the meeting details in the chat.</p> <p>CD closed the meeting.</p>