

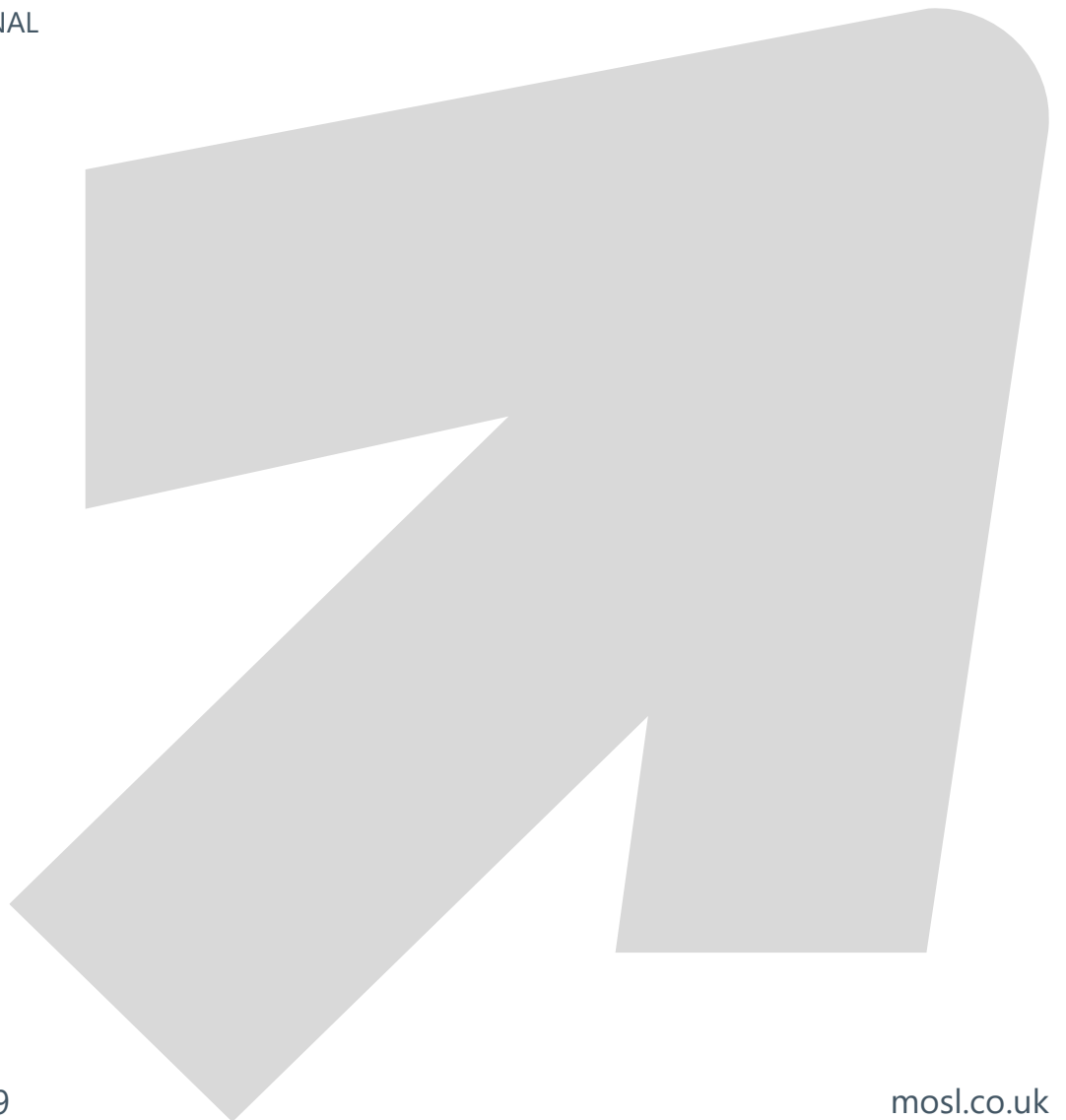
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## Performance Advisory Group (PAG) 55

**Location:** MS Teams

**Date and time:** 01 October 2024, 1000 - 1100

**Status of minutes:** FINAL



# Meeting Minutes

## Market attendees

Name	(Initial)	Role/Organisation	Name	(Initial)	Role/Organisation
Adam Boyns	AB	CCW (O)	Louise Rutherford	LR	United Utilities (W)
Clare Garland	CG	United Utilities (W)	Mark Howell	MH	Water Plus (R)
Daniel Proctor	DP	Waterplus (R)	Mike Rathbone	MR	Severn Trent (W)
David Moss	DM	Castle (R)	Noel Bradley	NB	Yorkshire (W)
Emily Jerome	EJe	Water2Business (R)	Pam Nash	PN	C&C (O)
Gerard Lyden	GL	Thames (W)	Paul Baker	PB	Business Stream (R)
Gillian Bladen	GB	South West (W)	Paul Walmsley	PW	Yorkshire (W)
Harriet Eames	HE	Yorkshire (W)	Peter Strain	PS	Castle (R)
Jamie Davies	JD	Castle (R)	Robert Hetherington	RH	Ofwat (O)
Jon Fuller	JF	Wessex (W)	Rosie Boston	RB	Southern (R)
Jordanna Lo	JL	Business Stream (R)	Shaun Kent	SK	Ofwat (O)
Jamie-Ann Anderson	JAA	Ses (W)	Sian Forward	SF	Northumbrian (W)
Karen Winfield	KW	Anglian (W)	Sindiso Bango-Dube	SBD	Waterscan (R)
Letoia Mann	LM	Clear Business (R)	Tim Brewer	TB	Wessex (W)
Lewis Campbell	LC	Castle (R)	Wendy Monk	WM	Wave (R)

## MOSL Attendees

Name	(Initial)	Role	Name	(Initial)	Role
Evan Joanette	EJ	Chair	Luke Coyle	LCo	Observer
Janet Judge	JJ	Presenter	Nichola Sampford	NS	Observer
Oli Robins	OR	Presenter	Sam Webb	SW	Observer
Amy English	AE	Observer	Sauda Dickinson	SD	Notes

Katy Woodhouse	KW	Observer
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<b>1.</b>	<b>Welcome &amp; update</b>
	<p>EJ welcomed all members to the meeting and confirmed the agenda.</p> <p>EJ reminded attendees that agenda, minutes and slides are published on the MOSL website for review.</p> <p>EJ presented a reminder on the delivery phases for part C and the updated MPF plan.</p>
<b>2.</b>	<b>Impact of removing compensation</b>
	<p>OR presented the <b>KPIs linked with compensation</b>, as on slides 7-8.</p> <p>OR presented the <b>M06 Lateness of overdue transfer meter reads</b> and <b>considerations</b>, as on slide 9.</p> <p>JD noted that decisions on outperformance payments may influence outcomes on the transfer proposal.</p> <p>JD noted that M09 also had penalties attached to it and requested that outperformance may require further discussions and decisions before revisiting transfer reads as a proposal.</p> <p><b>EJ agreed and advised that outperformance payments will be brought to PAG for discussion in the future.</b></p> <p>JD noted wanting to revisit the initial problem statement on transfer reads, noting that encouraging visual reads in the market is what we want to solve and that increasing the penalties would not help reach that goal.</p> <p>OR confirmed that the initial proposal on M09 was not that there would be a penalty charge but that the model had performance standards with the upper and lower thresholds.</p> <p>OR further noted that compensation and penalties are different, and the conversation needed is around outperformance as a concept and how it needs to work for the model.</p>
<b>3.</b>	<b>Financial Incentives on non-BR-MeX Wholesalers</b>

OR presented a **Summary of Financial Incentives on non-BR-MeX Wholesalers**, as on slide 12.

OR raised the questions; **Should there be MPF charges for wholesalers from Wales and NAVs?** and **Do these models work for small volumes of tasks/SPIDS?**

EJ noted consultation feedback from Welsh Water was that they should not have any special exclusion.

JF noted that customers do not have a choice in their wholesaler and advised that every customer in this market should have an incentivized wholesaler.

EJ questioned, in JF's opinion, based on the volume, if charges should apply for these parties starting in April.

JF advised, not necessarily, as there is merit in having shadow periods.

GL advised that there should be incentives for all wholesalers and agreed that customers do not have a choice in their wholesalers, therefore, that customer service should be incentivized.

GL further advised that continuing the current standards alongside the shadow period and evaluating the impacts during the shadow period may be the right approach.

GL noted that Welsh Water may have a form of BRMeX that is unique to the Welsh companies, so it might need a detailed look at for Welsh and HDD in terms of whether they are captured by other incentives at that point.

EJ advised discussion needed with Ofwat to get the full view.

MR agreed there is a danger if we are not careful introducing a two-tier system measurement of NAVs versus other trading parties as customers expect a certain level of service regardless of who their wholesaler or retailer is and the framework around performance should be designed to give them that.

MR further advised in previous discussions the consensus was that NAVs and smaller wholesalers and retailers should be considered in the round with other trading parties who are of a different scale, and they should be looked at on the same basis while making allowances for scale where it makes sense.

MR agreed with the approach of continuing the current standards alongside the shadow period and evaluating the impacts during the shadow period but noted that Ofwat would need to have sight of reasoning as to why that would be the right decision.

	<p>DM agreed that Wales and NAVs should be included in the charges as it is the same job and should be held to the same standards and sit on the same dashboards and performance reports but noted a concern around muddying the waters of performance of larger companies in comparison.</p> <p>AB agreed that charges should be included for smaller parties and NAVs</p> <p><b>EJ noted that the consensus was that charges for wholesalers from Wales and NAVs should be included and urged members to send any other views over email or in the meeting chat.</b></p> <p>GL advised that the metrics are designed in a way that works for very different sized wholesalers, so there should not be a need to think about a redesign for small wholesalers.</p> <p>OR advised that there needs to be consideration around a future proofing point in that we are unable to pre-empt activity levels of NAVs, if we have new parties or if BRMeX was to change who is in and out in the future.</p>
<p><b>4.</b></p>	<p><b>KPI prioritisation for upcoming workshops</b></p> <p>JJ presented <b>KPI prioritisation for upcoming workshops</b>, as on slide 15.</p> <p>JJ raised the question; <b>what factors PAG members would like MOSL to consider in prioritising KPIs for discussion and why.</b></p> <p>JF advised that complexity and timelines should be considered when thinking about KPI prioritisation, noting that deferrals might be quite complex, as well as some of the data KPIs.</p> <p>DM noted that anything with proposed to have a financial incentive should be prioritized and advised that since M02 is currently dependent on a code change with Ofwat, design discussions cannot be fully carried out and noted that getting to see some of the data may help views on prioritisation.</p> <p>AB queried when a decision would be made on M10, noting that M10 is a key part of the incentivisation around accurate customer billing.</p> <p>JJ advised that M10 had compensation charges applied to it and was planned to be brought to PAG for discussion following consultation feedback and decisions on compensation charges.</p> <p>EJ advised that the other factor is that B5s and C1s and other bilaterals are already included in BRMeX.</p>

	<p>DM suggested that M10 and M11 should be discussed as soon as possible as there are questions around whether they add a lot of customer value to be measured as performances.</p> <p>EJ noted that all suggestion will be taken into consideration.</p> <p>WM noted support for bringing M10 forward early on for discussion as LUMs have a significant impact on customers.</p> <p>JL advised M16 should be discussed before M10 as there are concerns on deferrals and the process, so M10 cannot be addresses without M16 also being looked at.</p> <p>JL further noted support for M11 being discussed early on as there were previous queries around how the market could do that sufficiently to benefit the customer.</p> <p>EJ agreed that consultation feedback reflected uncertainty around M11.</p> <p>JF queried if M14 is part of BRMeX.</p> <p>EJ confirmed M14 was a potential candidate for BRMeX, but that Ofwat had not workshopped it for a while.</p> <p>JF advised that M14 would be time bound, depending on Ofwat’s decision, and would need to be reviewed before April as the rules have not been revisiting around what good quality XY data is.</p> <p>GB advised that M17 sits with M16, so the two should be discussed together.</p> <p><b>JJ advised all suggestions would be taken away for discussion and MOSL would come back with a suggested prioritisation list.</b></p>
<p><b>5.</b></p>	<p><b>Consultation 4 Update</b></p>
	<p>EJ presented <b>About Consultation 4</b>, as on slide 18.</p> <p>EJ presented <b>Consultation 4 timeline</b>, as on slide 19.</p> <p>EJ presented <b>Consultation 4 next steps</b>, as on slide 20.</p> <p>DM advised, having read through the feedback responses, there were not many responses regarding approaches to the MIF and queried what the options are regarding potential approaches.</p> <p>EJ noted that the current challenge is around when the redistribution or when the outperformance part is ready, noting that there have not been any challenges around to MIF.</p>

	<p>DM queried why the MIF is not being discussed as a potential reform as it stands to reason that a lot more money may come into the MIF or may lessen based on the effectiveness and performance programme. Perhaps a pot other than the MIF should be considered.</p> <p>EJ advised that the amount of money that goes into the MIF is built into the governance that already exists as the Panel takes a view on how much to allocate. Whether the MIF itself should continue to fund projects is outside the scope of the MPF programme.</p> <p>DM explained that his suggestion was not to give it to trading parties but that it somehow goes back into the industry, noting that there are a lot of performance charges being added and there would be a lot of scrutiny should those charges not be reinvested back into systems and solutions that would effectively discontinue those performance measures.</p> <p><b>EJ noted that the point around having an efficiency pot would be taken away by MOSL for discussion.</b></p> <p>SK queried whether consideration has been given to caps being subject to sunset clause, being phased out or increased over time.</p> <p>EJ advised that it would not be ruled out, noting that consultation feedback from trading parties indicated that the risk of having no cap was too great with the review, and noted that the market in Scotland is considering retiring the cap, but that it is something to be discussed with the PAG.</p>
<p><b>6.</b></p>	<p><b>Upcoming PAG workshop(s) &amp; AOB</b></p>
	<p>EJ presented a view on upcoming workshops for October.</p> <p>GL noted M14 being considered for BRMeX and suggested that we get a first view of M14 as soon as possible, potentially at the PAG meeting on the 16<sup>th</sup>, alongside M12, and that the M01 review could be discussed on the 23<sup>rd</sup> following the market discussion on the 11<sup>th</sup>.</p> <p>EJ noted that consultation feedback was that MOSL would support any views from the industry to change obligations and that MOSL would be offering support at the discussion on the 11<sup>th</sup>.</p> <p>GL noted that there are MPF specific aspects of what the discussion would be on the 11<sup>th</sup> and advised it would be worth discussing, at PAG, whether that discussion resulted in any things that are more within the scope of design changes within MPF, given the importance of MO1.</p> <p>JD advised that along with the discussion on obligations, we need to discuss what MO1 looks like and whether that needs changing moving forward because as it is not fit for purpose and supported having a recap of the discussion at the PAG meeting on the 23<sup>rd</sup>.</p>

**EJ advised the suggestion around the PAG meeting on 23<sup>rd</sup> would be taken away for consideration.**

EJ closed the meeting.