

Market Performance Framework (MPF) Reform

PAG discussion on M01 - cyclic meter reads performed within SLA

31 October 2024

A photograph of a person's hands typing on a laptop keyboard. The laptop screen displays a presentation slide with the text 'MARKET VALUE ADDED' in large, bold, black letters. Below this text are several hashtags: '#search #business #concept #keywords #design #innovate'. The slide has a light beige background with a white border. The laptop is silver and sits on a wooden desk. The background of the entire image is a teal color with a white geometric shape on the left side containing the main text.

MARKET
VALUE
ADDED

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

Agenda

	Item	Presenter	Time
1	Welcome & update	Miles Robinson (Chair)	10 mins
2	M01 – Cyclic meter reads performed within SLA		
2a	Reminder of current M01 design	Evan Joanette	15 mins
2b	Early view of charging models for M01	Oli Robins	20 mins
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3	Upcoming PAG workshops & AOB	Miles Robinson	10 mins
			Total: 3 hours

To cover

- Recap on M01 design
- Early view of charging analysis carried out ahead of Consultation 5
- Review all current problems/issues raised for M01
- Workshop potential alternative solutions to understand how they compare, using success criteria for the programme.



Seeking PAG input to understand current problems and potential solutions



Housekeeping (1)



Welcome all – please introduce yourself in the chat



Workshop format – input and feedback needed



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



MOSL Website for [Agenda, Minutes & Slides](#)

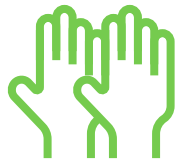
Housekeeping (2)



Be respectful – we are here to work together, please ensure all comments are respectful to others



Breaks – where this session is slightly longer, we will look to find the best time for breaks



Variety of input required – we will hear from multiple voices on each topic



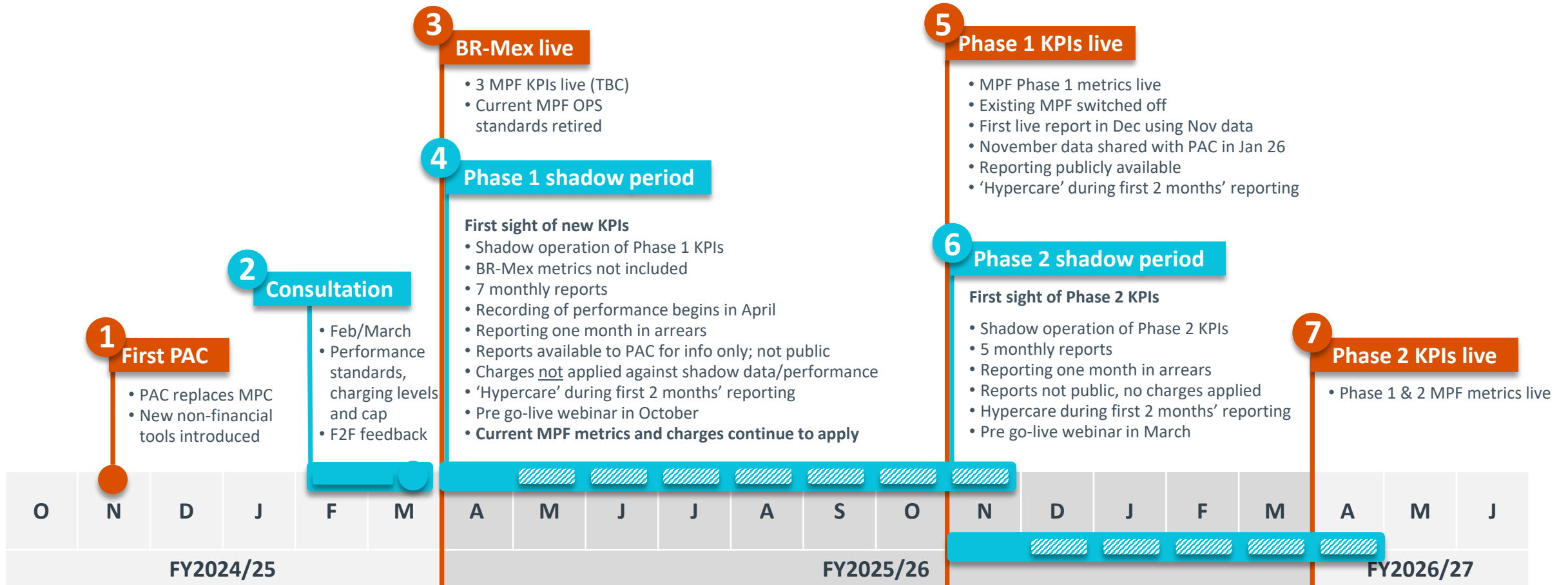
Aware of time – we may have to move conversations along to ensure the best use of time

MPF Reform

Progress overview - updated

Part	Deliverables	MOSL	PAG	CAG	Doc Issued	Web-inar	Pre-CCC	CCC	Build	Test	Ofwat	Implement
Part A	Governance								N/A	N/A		Nov
Part B	Non-financial tools									N/A		Nov
Part C	BRMex							Jan 25			Mar 25	April 25
	Phase one: Priority KPIs							July 25			Oct 25	Nov 25
	Phase two: Enhancement KPIs							Dec 25			Mar 25	April 26
Part D	Financial tools							July 25			Oct 25	Nov 25
Part E	Market indicators & additional metrics							N/A			N/A	TBC

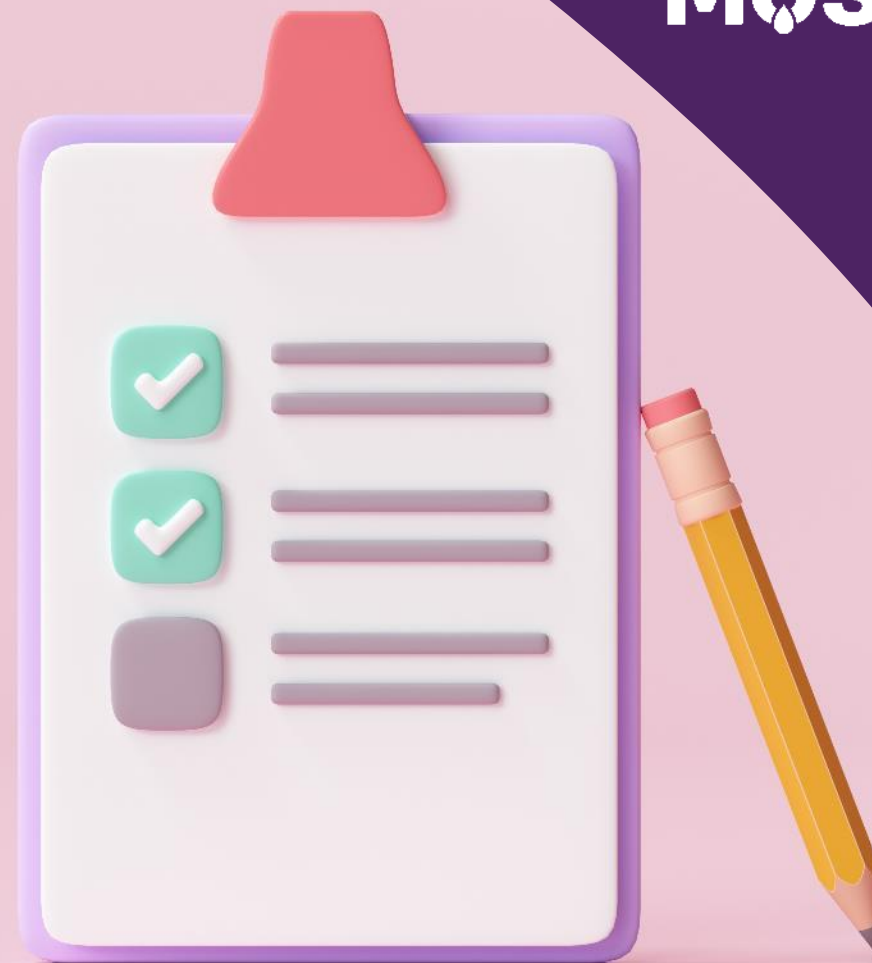
MPF Delivery Plan Overview



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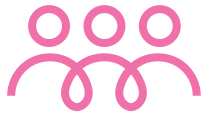
**Design reminder for
M01: Cyclic Read Metric**



Cyclic Read KPIs – code obligations

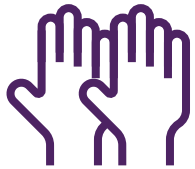
The market codes currently require Retailers to take and submit cyclic reads for all market meters related to Supply Points registered to it in the timescales defined in CSD 0202 section 3.5.1.

Engagement on M01



PAG support in design

- M01 (cyclic read taken) and M03 (lateness of cyclic read) discussed at PAG on 17 April, 19 June and 2 July 2024
- M19 (non-market meter counterpart) reviewed on 17 July 2024



Consultations and publications

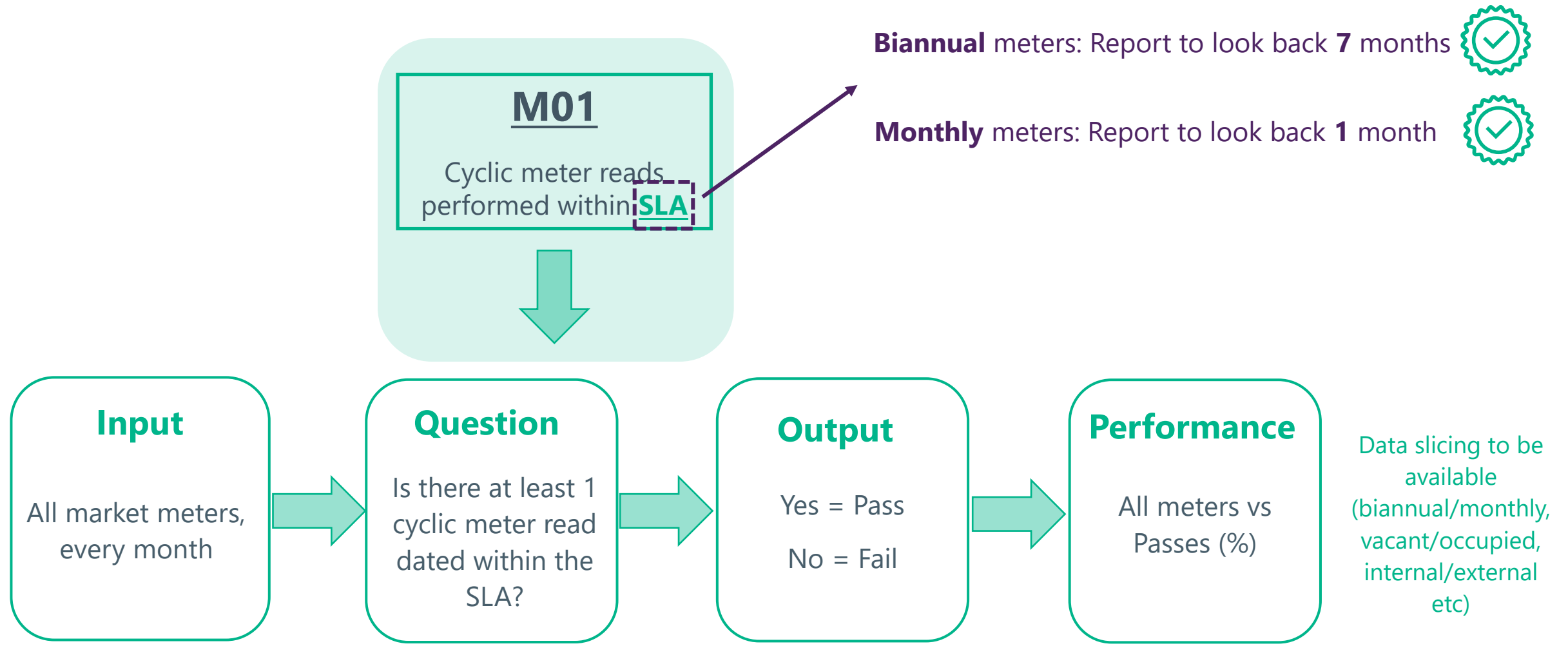
- Highlighted and shortlisted as a metric in Consultations 2 and 3
- More design featured in Consultation 4.
- M01 Summary document published on 23 August 2024



Changes made since conception of M01

- Merging M01 & M03; tidier single metric with a lookback period
- Longer look back period; 'wobble room' where exact six-monthly read might be missed
- Exemptions; live bilateral provides exemption from penalty, i.e. Retailers should not be penalised if they're working with a wholesaler to find or fix a meter

Metric Design Overview – pass / fail



Metric Design Overview – “look back” period

Biannual meters

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
←											
	←										
		←									
			←								
				←							
					←						
						←					

Success criteria = at least **1 cyclic meter** read in the last **7 months**

Monthly meters

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
←											
	←										
		←									
			←								
				←							
					←						
						←					

Success criteria = at least **1 cyclic meter** read in the last **1 month**

Metric Design Overview – “look back period”

Biannual meters

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
R							✓				
R	←							✗			
R		←							✗		
R			←							✗	
R				←						R	✓
R					←					R	

Monthly meters

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
←R	✓										
R	←	✗									
R		←	✗								
R			←	✗							
R				←	✗						
R					←R	✓					



Another fail each month continues until cyclic read is submitted

Metric Design Overview – incentives

By design, M01 provides **monthly incentives** to rectify missed meter reads

Every meter is checked **every month**



Potential for **repeat failures** on biannual meters if not read at SLA and not subsequently resolved



Incentive to rectify missed reads **promptly**



Differs from current MPS18/19 logic → currently **no incentive** to rectify missed biannual reads promptly

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**Early view of
charging model
for M01**

PAST

FUTURE

Charges & standards for M01

Key considerations



- Reading meters on time, in accordance with the Codes, is a core activity for Retailers
- Given volume and impact on customers, M01 is likely the most financially material KPI
- The goal is to incentivise Retailers to submit cyclic meter readings on time
- The design of the incentive combines:
 - The charge per 'missed' meter read
 - The design of the charging model (e.g. flat rate or increasing charge, frequency of charge, etc)
 - The minimum performance standard (following Consultation 4)
- The charges and performance standards on M01 should:
 - Recognise what is currently charged under MPS18 and MPS19
 - Not be at a level that could be potentially destabilising for the market
 - Cumulative charges should exceed the average costs of reading a meter.
- We have taken a relatively cautious approach, with scope to raise performance expectations in time.

Charges & standards for M01

Emerging proposal

Rejected option

- Higher cost per failure for biannual meters, i.e. >£10 and/or
- Charge repeats every month that cyclic read is not submitted successfully

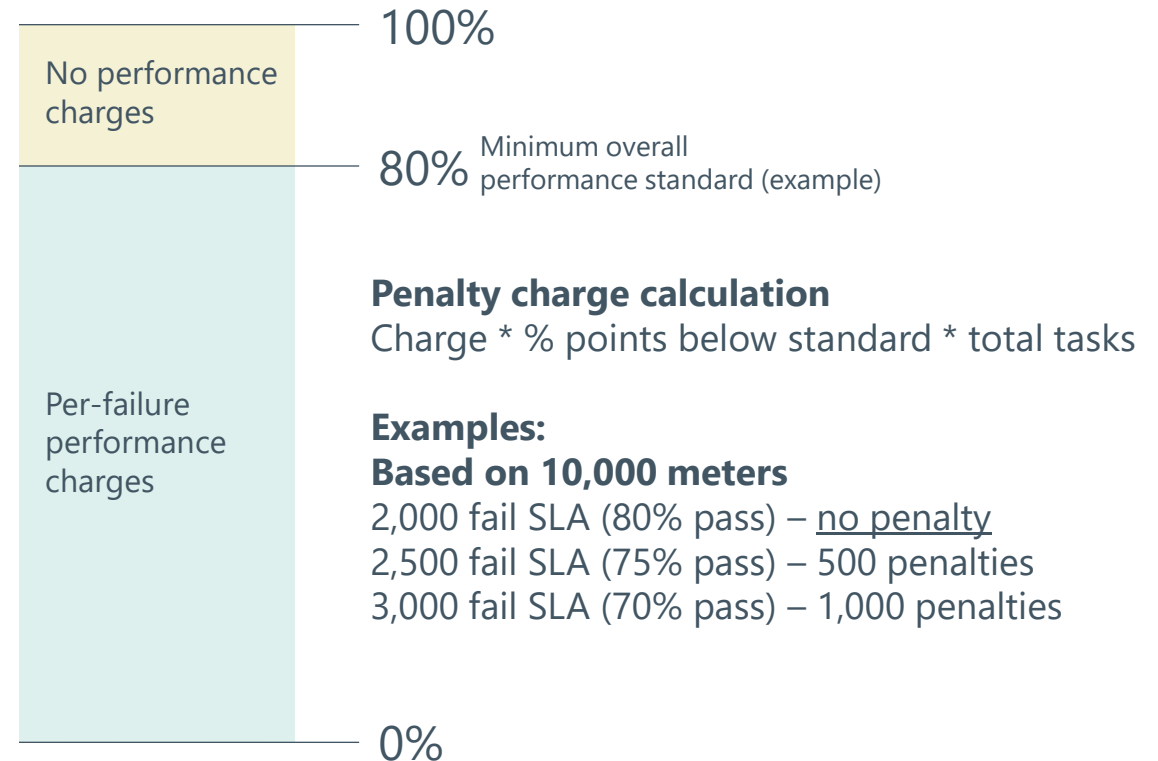
Emerging proposal

- M01 has a lower cost per failure than MPS18/19
- Trading parties have time to address unread meters before the current charging level is reached
- The overall performance standard makes allowance for factors beyond trading parties' control, and
- Trading parties achieving the (stretching but achievable) minimum overall performance standard will not be charged at all

Charges & standards

Emerging proposal

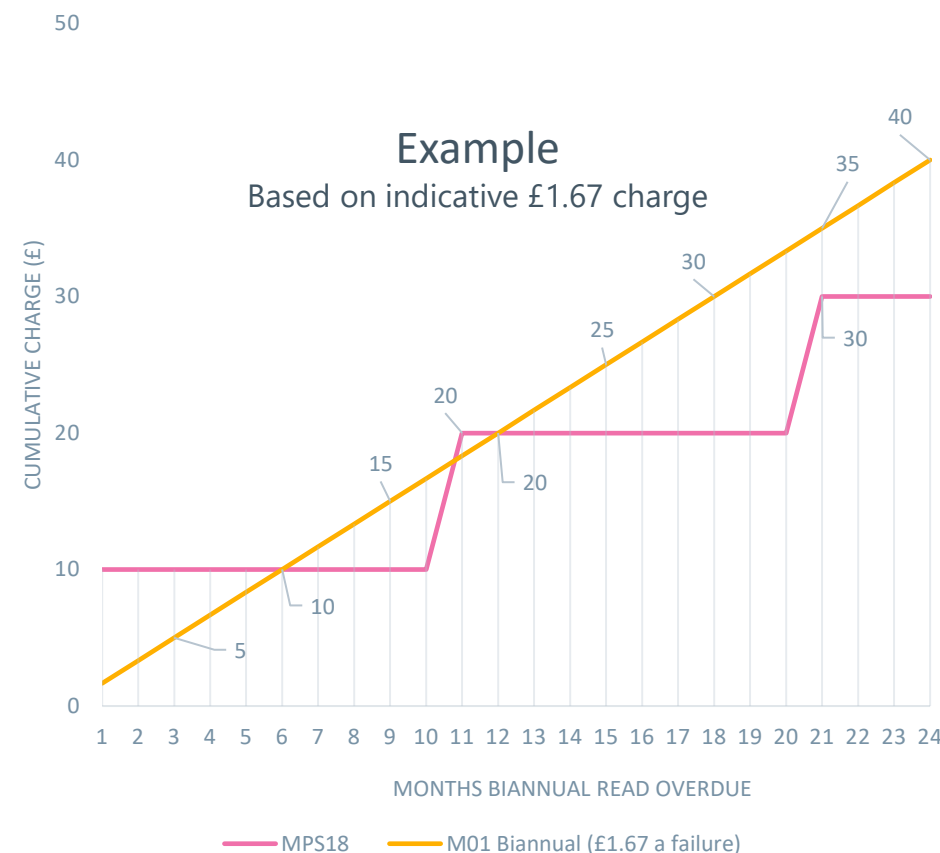
- Consultation 4 approved proposals for a minimum overall standard
- The minimum standard would be set at less than 100% in recognition that not all meters can be read
- Minimum standard will be stretching, e.g. 80%, and may increase over time
- Trading parties achieving the minimum standard will not be charged for cyclic meter read failures



Charges & standards

Emerging proposal

- Charges only come into effect below the minimum performance standard
- Below this level, cost per failure:
 - Charging increment lower than MPS18
 - Charged monthly once due
 - If Retailers resolve the issue quickly, it would result in a lower cumulative charge than under MPS18
- Using our example, it would take six months before a Retailer's charges would reach that of MPS18
- Charges will continue until the charging cap is reached
- This is all initial thinking. Charges, standards and rationale will be shared with the PAG before wider industry circulation in Consultation 5.



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Current problem statements raised (M01)

- 1. Retailers penalised for activities outside of their control** – the current/proposed MPF doesn't account where a Retailer has attempted to read a meter but hasn't been able to as further actions are required, and a charge is still applied in these circumstances. Further concern was raised that the new MPF would see an increase in charges, which would not further incentivise meter reading but just result in additional charges that would have to be passed onto customers.
- 2. Not enough time for Retailers to take rectification action when a meter cannot be read** – Where a meter reading cannot be taken, there is usually a follow up action required. However, the current/proposed process does not offer any break from charges whilst this rectification action is carried out.
- 3. May increase instances of potential erroneous/spurious bilateral requests** – the current/proposed model for cyclic meter reading includes an exemption from charges where a specific Bilateral request type is raised. This may result in an increase in the number of bilateral requests raised, incentivise the wrong behaviour in this process and an increased volumes of bilateral requests might impact Wholesaler performance in this area.
- 4. No central visibility of why meters can't be read** – There is currently no central view of data that indicates why meters can't be read, this means that there is no ability for the PAC to take this information into account when assessing Retailer performance across the Market.
- 5. Inconsistent approach applied across the market rules** – Currently code provisions allow for a deferral to be applied where a Wholesaler cannot carry out an action for a reason outside of their control. This same approach does not exist for Retailers.

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Potential solutions

Success criteria

Facilitates improved customer outcomes

Enduring and agile

Improves trading party accountability

Transparent and proportionate

Supports competition

Value for money

Consistent & compatible with Regulatory regime

Simplicity

The **success criteria** for the programme will be used as a measure for solutions as they are discussed

Potential solutions

Problem 1

Retailers penalised for activities outside of their control

the current/proposed MPF doesn't account where a Retailer has attempted to read a meter but hasn't been able to as further actions are required, and a charge is still applied in these circumstances. Further concern was raised that the new MPF would see an increase in charges, which would not further incentivise meter reading but just result in additional charges that would have to be passed onto customers.

Potential solutions

Problem 2

Not enough time for Retailers to take rectification action when a meter cannot be read

Where a meter reading cannot be taken, there is usually a follow up action required. However, the current/proposed process does not offer any break from charges whilst this rectification action is carried out.

Potential solutions

Problem 3

May increase instances of potential erroneous/spurious bilateral requests

the current/proposed model for cyclic meter reading includes an exemption from charges where a specific Bilateral request type is raised. This may result in an increase in the number of bilateral requests raised, incentivise the wrong behaviour in this process and an increased volumes of bilateral requests might impact Wholesaler performance in this area.

Potential solutions

Problem 4

No central visibility of why meters can't be read

There is currently no central view of data that indicates why meters can't be read, this means that there is no ability for the PAC to take this information into account when assessing Retailer performance across the Market.

Potential solutions

Problem 5

Inconsistent approach applied across the market rules

Currently code provisions allow for a deferral to be applied where a Wholesaler cannot carry out an action for a reason outside of their control. This same approach does not exist for Retailers.

Next steps

- Thank you for your feedback today
- We should now have a full understanding of the potential issues with the M01 design, along with a range of solutions
- We will now consider your comments and suggestions in more detail – and how they work against the success criteria
- We will host a webinar in November to replay the discussions and share how we will be taking things forward.



Upcoming PAG workshop(s)

Date	For discussion	Detail
23 October	MPF Metrics	M12 (Prop of premises address data accuracy)
31 October	MPF Metrics	M01 (Cyclic meter reads performance within SLA)
6 November	Financial tools	Outperformance payments & Cap
13 November	Reporting*	Initial view of reporting requirements (TBC)

AOB

**Subject to change*