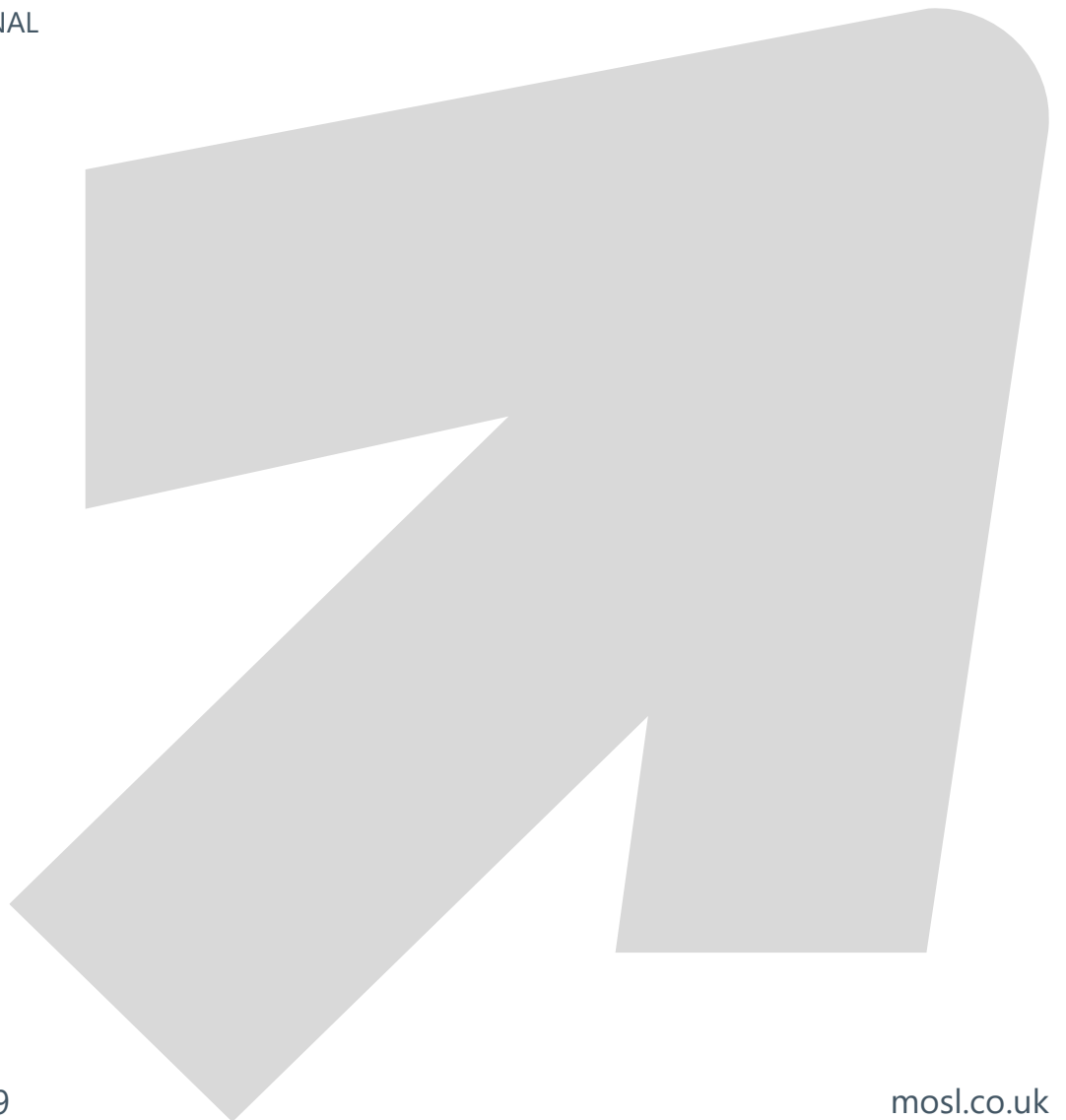


# Performance Advisory Group (PAG) 59

**Location:** MS Teams

**Date and time:** 31 October 2024, 1000 - 1300

**Status of minutes:** FINAL



# Meeting Minutes

## Market attendees

Name	(Initial)	Role/Organisation	Name	(Initial)	Role/Organisation
Angela Brown	AB	Northumbrian (W)	Mark Whittall	MW	Water Plus (R)
Clare Garland	CG	United Utilities (W)	Matthew Garfield	MG	Anglian (W)
David Moss	DM	Castle (R)	Michael Dockrill	MD	Everflow (W)
David Morris	DMo	Castle (R)	Mike Rathbone	MR	Severn Trent (W)
Gerard Lyden	GL	Thames (W)	Paul Baker	PB	Business Stream (R)
Gillian Bladen	GB	South West (W)	Paul Walmsley	PW	Yorkshire (W)
Jacob Head	JH	Water2Business (R)	Peter Strain	PS	Castle (R)
Jamie Davies	JD	Castle (R)	Robert Hetherington	RH	Ofwat (O)
Jon Fuller	JF	Wessex (W)	Robbie Smith	RS	Pennon (R)
Jordanna Lo	JL	Business Stream (R)	Shakima Fagan	SF	Everflow (W)
Letoia Mann	LM	Clear Business (R)	Sindiso Bango-Dube	SBD	Waterscan (R)
Lewis Campbell	LC	Castle (R)	Tim Brewer	TB	Wessex (W)
Mark Howell	MH	Water Plus (R)	Wendy Monk	WM	Wave (R)

## MOSL Attendees

Name	(Initial)	Role	Name	(Initial)	Role
Miles Robinson	MR	Chair	Katy Woodhouse	KW	Observer
Adam Richardson	AR	Observer	Nichola Sampford	NS	Observer
Adrian Smith	AS	Observer	Oli Robins	OR	Presenter
Amanda Plumb	AP	Observer	Sam Webb	SW	Observer
Evan Joannette	EJ	Presenter	Sauda Dickinson	SD	Notes
Huw Comerford	HC	Observer	Steve Formoy	SF	Observer

Janet Judge	JJ	Observer	Toby Hunt	TH	Observer
John Gilbert	JG	Observer	Luke Coyle	LC	Observer

<b>1.</b>	<b>Welcome &amp; update</b>
	<p>MR welcomed all members to the meeting and confirmed the agenda.</p> <p>MR reminded attendees that agenda, minutes and slides are published on the MOSL website for review.</p> <p>MR presented a view of the revised programme plan, as on slides 6,7 and 8.</p> <p>MR noted that the first Performance Assurance Committee (PAC) meeting is planned for late November.</p>
<b>2.</b>	<b>M01 - Cyclic meter reads performed within SLA</b>
<b>2a.</b>	<b>Reminder of M01 design</b>
	<p>EJ presented <b>Cyclic Read KPIs code obligations</b>, as on slide 11.</p> <p>EJ presented an overview of the <b>engagement on M01</b>, as on slide 12.</p> <p>EJ presented an <b>overview of the metric design</b>, as on slide 13.</p> <p>EJ presented an overview of the <b>metric design – “look back” period</b>, as on slides 14-15.</p> <p>EJ presented the <b>metric design incentives</b>, as on slide 16.</p> <p>LM queried whether vacant properties were still required to be read every seven months.</p> <p>JJ confirmed that the obligation was for it to be read as the code does not differentiate between premises that are occupied or vacant.</p> <p>GL queried whether there were any other categories of exemptions.</p> <p>EJ advised that the exceptions would have been difficult to build in, hence, the proposed approach to making the metric achievable, was to make the standard less than 100%.</p> <p>GL noted that with previous discussions on exceptions, concerns were around regional differences in vacancy and internal meter rates, noting that having regional variances as an exemption category would avoid having to make adjustments for each region.</p>

	<p>MR noted a question from JF in the chat – “How many C1s and B5s required a resolve by the Wholesaler? It may not change the design, but we should understand this in the discussions.”</p> <p>JF advised that B5 and C1 have a prominent place in the new MPF and noted concern around an increase in B5s and C1s moving forward. Need a view on the data.</p> <p><b>MR advised that MOSL would look to possibly share the data with PAG members and consider the volumes of B5s and C1s.</b></p> <p>JD advised that many bilaterals were previously rejected due to lack of customer details, noting difficulty around acquiring customer details from vacant sites and queried what the expectation would be from the retailer if the bilateral is rejected.</p> <p>MR noted a question from JF in the chat “Are any allowances for internal vacant meters with no AMR?”</p> <p>OR advised that it is currently not an exemption in the KPI design, and it is something that would need to be factored into the performance standard, taking a national approach.</p> <p>JG noted that the problems flagged have existed since the market opened and advised that going into M01, the minimum performance standard being set below 100% provides an exemption for some metres.</p>
<p><b>2b.</b></p>	<p><b>Early view of potential charging models for M01</b></p>
	<p>OR highlighted that the potential charging model presented today is an early view and that a lot of analysis and modelling is still needed and will be fed through PAG meetings.</p> <p>OR presented the <b>key considerations on charges and standards for M01</b>, as on slide 19. OR presented the <b>emerging proposal on charges and standards for M01</b>, as on slides 20-22.</p> <p>JF queried, with M01 catering for both monthly and bi-annual meter reads, whether there would be two thresholds.</p> <p>OR advised that a view of the data would help guide the decision, but the initial view would be that performance standards on monthly and bi-annual would be different, bearing in mind that the fundamental principles of the MPF reform is to keep things simple and avoid unnecessary splits of MO1.</p> <p>JF noted that may be a need for a point of separation, having two buckets and two thresholds, and the thresholds might be the same.</p>

GB queried whether there would be discussion around non-market meter reads and similar allowances, as it would impact the main meter and the non-household billing.

OR confirmed that the non-market equivalent of M01 has been set to be equal and the exemptions will follow similarly around where performance standards and charges are set and will be presented back to the PAG.

GB noted that having continually unreadable meters does not improve incentive and that meter reading issues need some resolutions, as having a low performance percentage due to M01 still looks unattractive, regardless of the charges or the percentage the performance standard is set at.

OR advised that there may be underlying issues that need resolving and that it might not be driven by where the charges and performance standards are set and may need to be discussed later.

JL queried whether the baseline of consideration for things outside of trading parties' control would be reviewed regularly and if it would be considered into the detail of the M01 and how the baseline would be calculated.

OR advised that it will be taken into consideration as a part of the framework is to have flexibility and being able to reassess. The frequency and trigger points for reviewing the baseline may be a role of the Performance Assurance Committee and workshopped with the PAG.

JG advised that one of the principles is to have an agile MPF and that agility would follow market and economic performances and issues, confirming that it would be Performance Assurance Committee decision.

JD advised that a threshold of 80% does not help the market and queried whether Ofwat and higher committees would allow the market to request a decrease of the threshold later, noting concern that decreasing the threshold may be a sign that the market is moving backward as the goal would be to have the threshold increased in the long run.

JD noted that the 80% standard may be enough for some trading parties but that 20% is a huge amount to some retailers.

JD further advised that having a threshold is not sensible whereas skip data could provide a view that the retailer has attempted a read and follow-up actions need to be included for missed reads.

MR noted that it is a challenge to introduce a flawless framework, and the attempt is to introduce something that is simple enough.

JL advised that the 20% allowance is good from a behavioural stance, noting that the proposed solution on skip data is based off processes that do not exist and noted that the issue on internal vacant meters is a result of lack of processes in market codes and not a PAG issue. Focus should be on solutions to the process issues and technical opportunities and code obligations and how it could be met and changed.

JL further advised that even with those process changes in place, these metrics still need to be put in place as we are trying to drive the correct behaviours and agreed that visibility on skip data and more skip codes are needed.

DM advised that not only is skip data needed, but also alarm code data, wholesaler site visit data and other factors that add to things outside of trading parties' control need consideration.

DM further noted that MOSL have been informed to champion more informed data on customers and that that needs to be done with regional differences. Wholesalers have challenges based on regional differences and it needs to be approached and treated differently.

AB noted that the issue is the inability to read meters and not a lack of attempting to read and that skip codes are important, noting concern around the percentage the standard would be set at as it may reflect badly on a trading party's performance from someone outside of the industry.

JD agreed with concerns on reputational effects around the performance standard threshold for someone not familiar with the market/industry, noting that with skip codes as a solution, trading parties would have the ability to achieve 100% and advised that we would want to penalise trading parties not attempting to read, but that currently trading parties will be penalised financially and reputationally, even if attempts are made, and statistics would be misrepresented to customers.

PW noted that there were previous requests for a view on example data and that a data-based decision cannot be made without a view of that data.

MR advised that, if possible, the data will be made available as soon as possible, highlighting that there is a lot of complexity around designing metrics.

JF noted the proposal, as it is, is an improvement from the original proposal, noting that more discussions need to be had and queried the time frame around the initial point of failure and

	<p>the maximum point of failure. Concerned that the current time frame is too short, penalising every month until resolve.</p>
<p><b>2c.</b></p>	<p><b>Review of individual problem statements within M01 design</b></p>
	<p>MR presented a list of the <b>current problem statements raised</b>, as on slide 24.</p> <p><b>1. Retailers penalised for activities outside of their control</b></p> <p>WM noted that reasons for failures are not identified, and the root cause of the problems and missing processes are not addressed.</p> <p>JL queried whether there could be an interim process where retailers can submit their skip data to be considered into M01 before there is a firm decision around getting skip data into CMOS.</p> <p><b>2. Not enough time for Retailers to take rectification action when a meter cannot be read</b></p> <p>WM noted that along with the performance charges, there would also be costs associated with sending meter readers out continuously to meters that cannot be read.</p> <p>PB advised that there are no clear treatment paths in the market codes to outline actions that need to be taken for certain access issues. The actions to be taken are not clearly outlined in the codes or RWG groups.</p> <p>AR queried what other actions trading parties currently take to read meters around long unread meters.</p> <p>JL advised that actions taken depends on the retailers' process. Some retailers go beyond that, trying to acquire the evidence for the wholesaler that the meter cannot be read, but here is no clear outline around who needs to take accountability and ownership of the process for acquiring the evidence.</p> <p>JG noted that the MPF is looking at designing a performance metric and that metrics are not the sole means of changing market code. If processes need to be refined and implemented, it is recommended for that to happen outside the MPF.</p> <p>DM noted that the points of discussion hinge on the success of the MPF Reform and the need for potential code changes or new processes and there will be other scenarios that are out of the control of trading parties and that needs to be factored in.</p> <p>MR advised that there are a few problems and different ways we could solve them and that if a solution might take a long time and be costly, it does not mean that it's the wrong solution, it</p>

just means that we need to consider whether it is something that can be done under the MPF programme or how we take things forward.

DM noted that the decision needs to be made whether we move forward if it is not the right solution and there needs to be a long-term solution.

MR noted that there is a success criteria used against the solution and ensure that there are improvements in the M01 design.

PB agreed that the changes required are outside the scope of the MPF, but that the MPF has been useful in bringing the discussions forward and advised that there needs to be clear decision on where the conversations around changes need to be had.

AR advised that today's discussions are revealing potential weaknesses in the current code rules, that does not mean that the KPIs are wrong, but that they are perhaps stimulating market improvements, noting that today's discussion is about understanding the issues and considering how we take the different matters forward.

JD queried whether there was an update from the previous obligations discussions, noting that it would be helpful to information around the possibility of having skip data and have a decision on the way forward around how and where we have discussions about the obligations and missing processes.

AR noted that the intention is to launch a request for information for skip code data in the coming weeks, which may help outline the way forward regarding skip codes and that the metering committee could support on that.

DM advised that, apart from skip codes, all site visit data from all parties may needed.

AR advised that rolled up data will be needed, rather than the raw data and urged attendees to get in touch with any suggestions or feedback to ensure MOSL requests the data correctly and makes it easier for trading parties to provide the information.

DM noted that there is more than one party that visits sites for different reasons and queried that all site visit data needs to be reviewed and refined.

**AR noted that it is a point that could be picked up offline to explore possibilities.**

MR advised that the aim is to capture as much information as we can today and try to understand the problems and a webinar will be scheduled on the 21<sup>st</sup> of November to present and outline the decision on what the best solution is.



**3. May increase instances of potential erroneous/spurious bilateral requests.**

GB advised that it definitely would increase instances of potential erroneous/spurious bilateral requests. Since the start of bilaterals there has been a steady increase of B1s and C1s and the steepest increase has been after CPW144 with the proposal of M01.

MR queried whether it was a definite increase in, specifically, erroneous requests, noting that an increase in requests is not necessarily bad, but that the problem is around erroneous/spurious requests.

GB advised that the answer is unknown as not enough data can be extracted to get that breakdown of the data and a view of that data would be helpful.

JL noted disagreement with the problem statement, noting that it depends on how retailers process their skip data and what they do about it. It goes back to the need for a forum to discuss missing processes. Retailers should look at streamlining their skip process to ensure that they are not impacted. Raising incorrect bilaterals does not work in their favour as they will hit the primary charge, so there should not be a spike in incorrect requests.

PB agreed that there should not be an increased risk in bilaterals. Raising bilaterals would not change based on the proposal.

GL advised that it should be added to the problem statement, as a new aspect is being created to the incentive to raise bilateral requests to avoid them being shown as failures or to avoid penalties.

JD advised that it is about more than the penalty and that reputational damages and increased bilateral requests and bilateral costs will be a factor and there is no process to address the back-and-forth actions around vacant properties. JD further queried what MOSL would want trading parties to do in instances where there are internal vacant meters.

JD further noted that trading parties might use grey areas by raising bilaterals to try and avoid penalties, therefore, the number of bilateral requests will increase.

AB advised that there has been a lot of verification of supply requests on vacant premises with internal metres which have been rejected, which impact other performance and M15 comes into play.

MR noted that it is not necessarily an M01 problem but a problem that exists in the current framework.

EJ urged retailers to raise any more views on whether they think there would be an increase in spurious requests.

	<p>MR noted that a few wholesalers have said that there has been a change already, but that there is a lack of data to understand whether the number of erroneous requests has or will increase.</p> <p>EJ advised that if there are behaviours where there are spurious requests being raised, changing the MO1 design would not be a solution to that.</p> <p>DM advised that there are a lot of requests off the back of skip data, but that the issue is customer obstruction and there is not a formal channel to properly identify and control customer obstructions and treat it in an end-to-end manner and noted that customers will be impacted and there needs to be a minimum standard set for situations outside of trading parties' control and the process needs to be formalised.</p> <p>JG advised that retailers have natural incentives for dealing with problematic customers and would have their own methods to deal with them effectively. The MPF cannot sort all the market issues, but it is here to measure performance realistically and in a way that is uncomplicated and understandable.</p> <p>JG further advised that inappropriate bilaterals being raised can be audited, so concerns around an increase in bilaterals should not stop progress as there is a tool to counter that concern.</p> <p><b>4. No central visibility of why meters can't be read.</b> No objections raised by PAG members on this problem statement.</p> <p><b>5. Inconsistent approach applied across the market rules.</b> No objections raised by PAG members on this problem statement.</p> <p>WM noted that regional issues had not been captured as a problem statement.</p> <p>MR noted that the previous discussions agreed that regional performance would not be included currently due to complexity, but that it might be covered under problem statement 1.</p> <p>WM advised that the concern was around having a level playing field regarding things such as regional propensity for internal metres or the speed of smart meter roll outs, noting that perhaps a problem statement around a level playing field should be included.</p> <p>GL agreed with having a separate problem statement around regional difference.</p>
<p><b>2d.</b></p>	<p><b>Potential solutions</b></p>

MR presented the **success criteria for potential solutions**, as on slide 26, opening the meeting to suggestions on potential solutions from attendees.

GL suggested assurance as a potential solution, noting that there is an opportunity, through assurance, to recognise trading parties attempting to read and that appropriate actions were taken. There is an opportunity to assure that your data is right and that retailers are trying to read the meters in line with the codes, and there is an opportunity to through assurance to recognise that it is not always within their control.

MR noting that assurance could be a possible interim solution to be considered.

GB agreed with having assurance as an interim solution given that we are working toward a solution to have assurance within CMOS and be extended in the long run to full skip data assurance.

JL advised that processes are required and noted that there should be a solution from a technical process perspective having data items being agreed between retailers and wholesalers and ensuring alignment before it can be processed.

JL further noted that technical processes can be created that works for both retailers and wholesalers, that does not create bilaterals but creates transparency and takes away the concern of the penalties from a retailer's perspective as there is an estimated static read in the market that they are processing, it would then remove the penalty charge.

EJ queried the timeliness around the assurance solution and what the approach would be around incorrect assurance.

GL advised that if there was incorrect assurance, penalties could then be applied.

EJ further queried whether there were other data items that are currently audited with high volumes.

GL advised that it could be a targeted audit rather than auditing each data item and noted that supply point data with high volumes have been audited and that assurance could be used as an interim step while bigger changes and systems are being considered.

SF advised that we need to figure out, once the retailer has identified which missed reads they can assure, how we get that data into CMOS and how practical it would be in the retailers' systems and whether retailers are confident they could adapt their systems to be able to provide the evidence.

DM reiterated that it should not only be skip data, but also other site visit data, such as alarm codes. Consideration needs to be around what situations are out of trading parties' control

that needs to be exempt from charges. Supply points need a third-party status, which would be one data item with a drop down of things that are outside of the trading party's control.

EJ noted concern around the potential for spurious assurance, noting that it might be the same concern as raising spurious bilaterals.

JL advised that a lot of the evidence required in the proposed assurance solution would not be able to be provided as it is in an internal system on certain accounts.

AR queried whether the idea was that every month retailers would then submit the assurance information prompting a second calculation of recasting the performance reporting based on the assurance provided or whether it would be an annual activity.

GL advised that it is something that could be debated and tested and that it could be that the assurance would have a lifespan attached to it.

JL advised that from a financial benefit for the retailer, it could be a yearly activity.

JJ clarified that the suggestion was that rather than expecting the retailer to upload the same data monthly, the assurance could, instead, have a lifespan of a few months.

GB advised that assurance could follow the assurance pattern of other processes under the current framework with MPS performance.

JG noted that the assurance solution addresses the concerns around M01 not recognising attempts made to read meters. There could be high costs associated for trading parties to prepare and extract the assurance data, but that MOSL would take the suggestion away for investigation and consideration.

JL advised that instead of CMOS, there could be a form that provides the insight needed for both retailers and wholesalers, similar to a deferral process.

WM noted agreement with the assurance solution as it provides recognition for efforts to read meters and would help get to the root cause of the issues and access issue will also be relevant with smart meter roll outs.

SF noted that there would need to be consideration around skip codes and how we evidence some of the other assurance items, where the evidence is recorded and the costs associated with having to systemize the evidence.

AR queried whether there would be a time limit on supply point data and whether the reason code for a failed read would have the option to stay the same for an extended time or whether there should be a limit as to when the status should change.

	<p>JD advised that advised that the time period should be limited as for monthly meters, attempts are made every month to read the meter.</p> <p>AB advised that it should not be an indefinite assurance, but that the assurance should be updated each time the is an attempt to read.</p> <p>LM queried how it would apply to vacant sites as there is potential for a site to be vacant for several years.</p> <p>JL noted that there is no process in the market for when a customer is paying but refusing access to the meter, so it would be helpful to have a consistent process across the market where there is an end point to that scenario.</p> <p>DM advised that there could be a need for both month-to-month temporary skip code for meters that cannot be read and long-term codes for different situations like premises be derelict, vacant or demolished.</p>
<p><b>3.</b></p>	<p><b>Upcoming PAG workshop(s) &amp; AOB</b></p>
	<p>MR noted all feedback, and suggestions will be considered in more detail and a webinar will be held in November to replay today’s discussion and share plans for moving forward.</p> <p>MR presented an overview of upcoming PAG workshops for November.</p> <p>MR closed the meeting.</p>