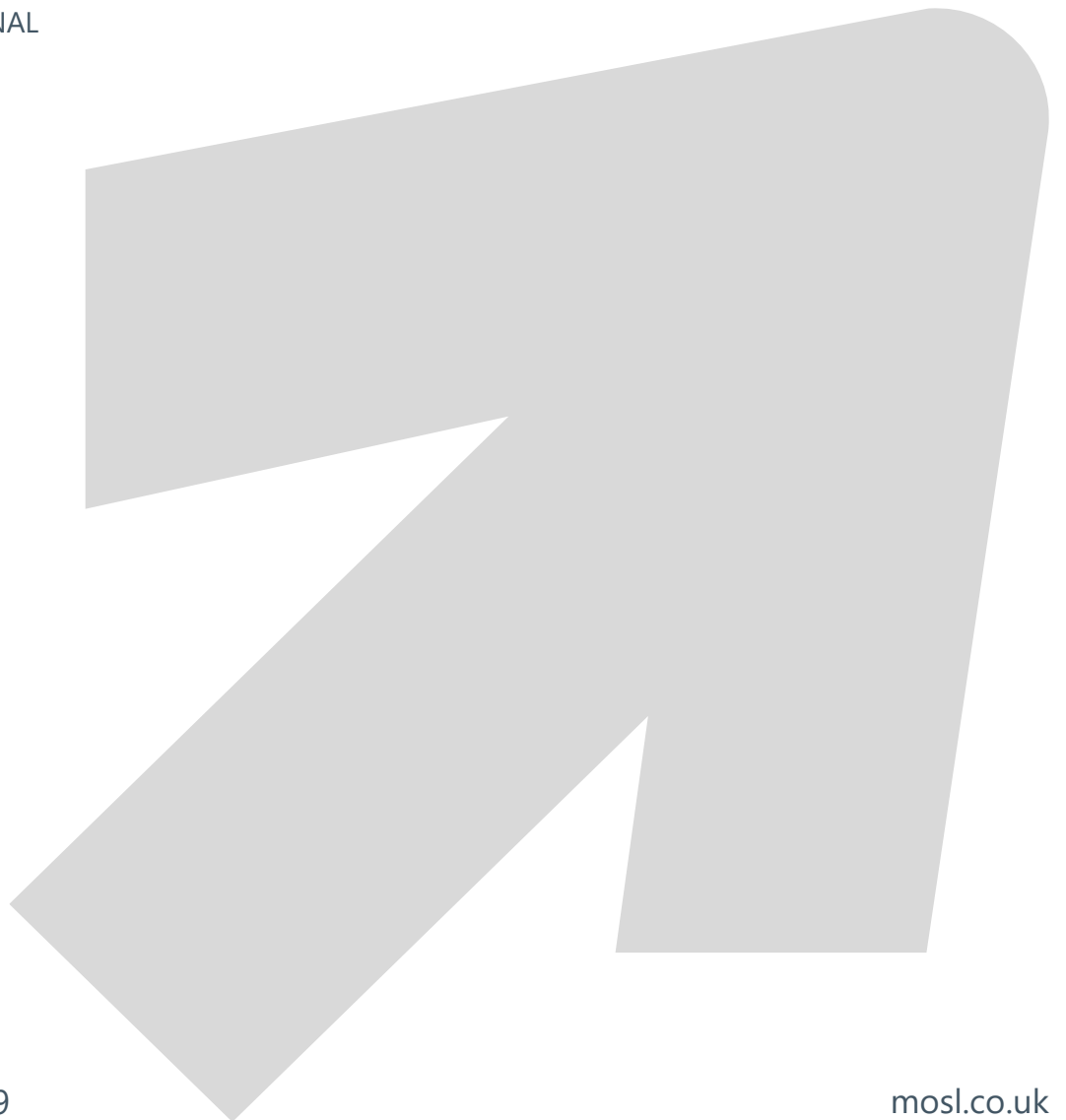


Performance Advisory Group (PAG) 62

Location: MS Teams

Date and time: 20 November 2024, 1000 - 1200

Status of minutes: FINAL



Meeting Minutes

Market attendees

Name	(Initial)	Role/Organisation	Name	(Initial)	Role/Organisation
Adam Boyns	AB	CCW (O)	Jon Fuller	JF	Wessex (W)
Clare Garland	CG	United Utilities	Mark Howell	MH	WaterPlus (R)
Daniel Proctor	DP	Waterplus (R)	Paul Baker	PB	Business Stream (R)
David Morris	DM	Waterplus (R)	Paul Walmsley	PW	Yorkshire (W)
David Moss	DMo	Castle (R)	Peter Strain	PS	Castle (R)
Gerard Lyden	GL	Thames (W)	Rachael Spencer	RS	Clear Business
Harriet Eames	HE	Yorkshire (W)	Tim Brewer	TB	Wessex (W)
Jamie Davies	JD	Castle (R)	Wendy Monk	WM	Wave (R)

MOSL Attendees

Name	(Initial)	Role	Name	(Initial)	Role
Miles Robinson	MR	Chair	Katy Woodhouse	KW	Observer
Oliver Robins	OR	Presenter	Nichola Sampford	NS	Observer
Evan Joannette	EJ	Observer	Sam Webb	SW	Observer
Huw Comerford	HC	Observer	Steve Formoy	SF	Observer

1.	Welcome & update
	<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 and questions and comments to be sent via mpreform@mosl.co.uk.</p> <p>MR presented a reminder on the delivery phases for part C and the MPF plan.</p> <p>MR presented the revised programme plan.</p>

	<p>MR confirmed that the BR-MeX metric metrics would go to the Code Advisory Group before going to the Code Change Committee.</p> <p>MR presented an overview of the MPF delivery plan.</p>
<p>2.</p>	<p>Update on Performance-based Redistribution proposal</p>
	<p>OR presented a reminder on the Consultation 4 proposal and feedback, as on slide 10.</p> <p>OR presented the history of redistribution, as on slides 11-14.</p> <p>OR presented the initial proposal and feedback, as on slide 15.</p> <p>OR presented the proposed way forward, as on slides 16-17.</p> <p>GL advised that from a code perspective it is possible to use some of the funds for other special projects and not just MIF and advised that a lot of work went into the governance around MIF and that governance needs to be maintained for any special projects to ensure funds are used efficiently.</p> <p>SF advised that there is a Paper going out to the Panel to advise to that is flexibility in the code to use performance charges for projects without going through the MIF and that the governance document that sits with the code would need updating.</p> <p>DM noted that the decision-making and criteria around the use of funding is currently not reactive to the problems accrued as part of the charges and advised that there should be flexibility and that the approach should be changed to target funding decisions towards data-driven failures and should be informed by market experts and data.</p> <p>OR advised that the Performance Assurance Committee will have annual reviews and produce a statement of approach looking at performance and risk in the framework, noting that part of the review could be a collation of trading party views.</p> <p>SF advised that previous feedback from the PAG around an opportunity to use performance charges to consider fundamental challenges in the market, would be fed back to the Panel.</p> <p>MR advised MOSL would investigate the process with MIF projects and provide feedback.</p> <p>OR noted that MOSL would provide the PAG with feedback from the Panel on the Paper.</p>
<p>3.</p>	<p>Update on approach to penalty charge cap</p>
	<p>OR presented a reminder on the Consultation 4 proposal and feedback, as on slide 20.</p> <p>OR presented the proposed way forward, as on slide 21.</p> <p>MR noted a comment from GL in the chat – ‘can you please remind us what the cap is today and how many times triggered. Is this the starting point or proposing to ratchet up already?’</p>

OR advised that it currently applies between 3% and 5% of instances, in terms of monthly charge calculations and the currently level is set at 0.25% x the R1 settlement value. The data was shared in previous PAG slides.

AB queried whether it is expected that there would always be a need for a cap or whether the Performance Assurance Committee would be able to decide on removing it later.

OR advised that not having a cap would present a risk as these events are unpredictable and market-wide, but that the Performance Assurance Committee would be responsible for the cap and as the cap would be put into the code, the PAC could propose a code change in the future to change how the cap works.

WM queried whether an incident, where large volumes of SPIDs are moved from one system to another and an error triggered a peak in performance charges, would be a market-impacting event or an individual trading party failure.

OR advised that if the event is significant, it would possibly hit the cap.

WM noted an example of an event where, moving a large number of SPIDs between systems triggered large amounts of forward charges and advised that it was caught by the Cap, but that there needs to be consideration around those kinds of events.

OR advised that with modelling, we would look at the history of uncapped charges and where the current Cap has applied.

MR confirmed that the Cap would be static and not specific to whether it is a market event or not, noting that the Cap would treat both market events and high-level individual trading party risk scenarios the same.

DM queried whether there would be consideration around governance and decision-making for events of legitimate negligence.

SF advised that the intention is not to set out a prescribed list of events where the Cap would apply as it is unpredictable, and the aim of the Cap is to protect against the unforeseen events.

DM advised that there should be consideration around whether we can identify outliers that are not exceptions and should potentially be uncapped.

SF advised that consideration would be made around the history of the market and noted that there have been occasions where the Cap should not be applying and trading parties should not incur charges.

	<p>GL noted previous conversations around the Performance Assurance Committee having visibility when the Cap is enacted and advised that when the PAC is looking at instances where the Cap is hit, it would include looking into what the cause was and whether it was a trading party issue.</p> <p>DM queried whether raising a Code Change would be the only action plan in addressing outliers of the Cap or whether there could potentially be a quicker change process used.</p> <p>OR advised that as the proposal would be put into the Code, changes to the Cap would be subject to the efficiency of the Code Change process.</p> <p>MR advised that one of principles was not to have the Cap for regular performances but only in cases of a significant market event and that the Cap would be set at a level where it would not be triggered regularly, noting that there should be a role for the PAC to review the Cap in the future and that the level of the Cap will be set alongside further analysis and Consultation 5.</p> <p>WM advised that there needs to be clarity around what is considered to be a significant market impacting event, noting that a cyber attack could be a significant event which only effects one trading party but could still have a significant impact which trading parties would want to be protected against.</p> <p>OR advised that wants decisions are made on the level of the Cap, we could then look at what type of events qualify, but that the level will be set to be static.</p> <p>JD queried whether the PAC would have a role to review the initial Cap level during the shadow period.</p> <p>OR advised that after the initial setting of the Cap level, the Cap would become the responsibility of the PAC to review.</p> <p>MR advised that there is flexibility and noted that the intention is to keep things the same during the shadow period for consistency but that there is the ability to adjust errors that are identified.</p>
<p>4.</p>	<p>Upcoming PAG workshop(s) & AOB</p>
	<p>MR gave an overview of upcoming workshops.</p> <p>MR reminder members about the M01 webinar taking place tomorrow.</p> <p>MR noted that today’s discussion around performance-based redistribution has been effective in describing the challenge in designing an entirely new MPF as opposed to building on the existing model. MR also commented that it remains important for history of changes to the MPF to be considered in our approach.</p>

	<p>JD noted that today's discussion on the Cap and the performance-based redistribution and the presentation on the history of redistribution was useful and helped build the argument for the proposal.</p>
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