

MPF Consultation 5

Cyclic Meter Reading Metrics

Proposed charges and performance standards for cyclic meter read metrics M01, M02 & M19

Performance Advisory Group (PAG)

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Market Improvement Lead

22 January 2025

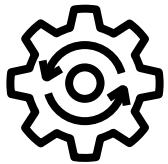
Agenda

	Item	Presenter	Time
1	Welcome & update	Evan Joanette (Chair)	10 mins
2	Summary of proposal	Evan Joanette (Chair)	20 mins
3	M01 and M02 charges and standards	Oli Robins	40 mins
4	M19 charges and standards	Oli Robins	40 mins
5	Upcoming PAG workshops & AOB	Evan Joanette (Chair)	10 mins
			Total: 2 hours

Housekeeping



Welcome all – please introduce yourself in the chat



Workshop format – input and feedback needed



We will allow time for discussion and questions. You can also email questions - mpfreform@mosl.co.uk



See MOSL website for [agendas, minutes and slides](#)

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Consultation 5 overview

- Consultation 5 will seek feedback on proposals for Cyclic Meter Reads and Transfer Reads in relation to:
 - Performance standards for each KPI
 - Performance charges for each KPI
 - Total performance charge 'cap' for all KPIs
- Key dates:
 - w/c 27 Jan: Cyclic Meter Read KPIs summary doc issued
 - w/c 3 Feb: Transfer Reads KPIs summary doc issued
 - 10 Feb: Consultation opens
 - 12 Feb: Webinar
 - 28 Feb: Consultation closes
 - 10 April: Feedback session, London
 - April: Further refinement to proposals



About today's PAG

- Today we will present draft proposals for Cyclic Meter Read metrics, i.e.:
 - M01 – Cyclic meter reads performed within SLA
 - M02 – Proportion of smart meters read
 - M19 – Cyclic non-market meter reads within SLA
- Following your feedback, we will finalise the Consultation 5 proposals in relation to Cyclic Meter Reads

Overview of proposed charging model

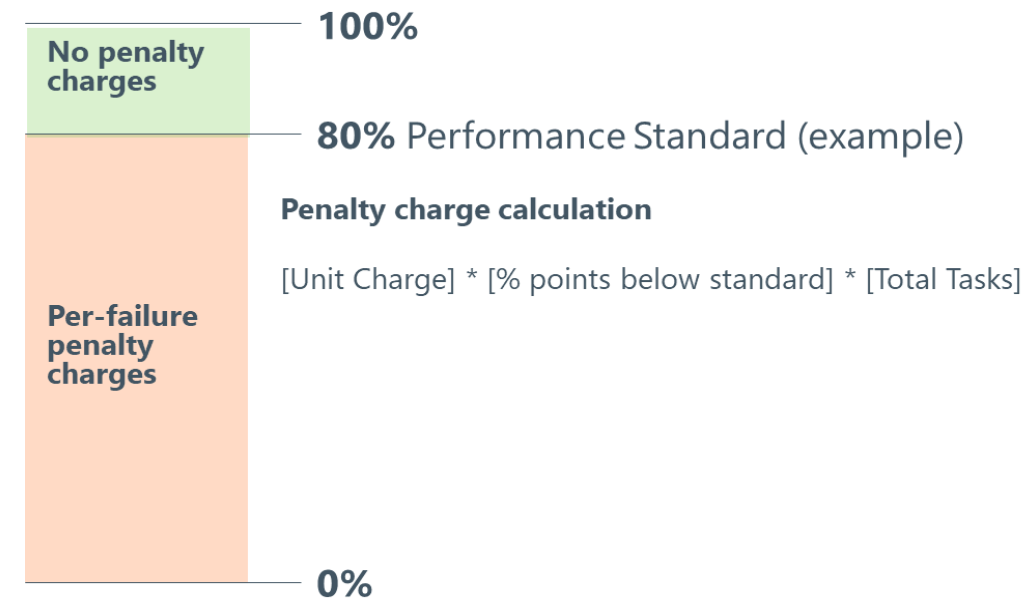
Following Consultation 4:

- The concept of **compensation payments** between trading parties was dropped
- **Outperformance payments** need further consideration and will not be introduced at implementation
- **Monthly penalty charges will be the MPF's only financial tool** at implementation
- **Performance standards will be introduced** for each KPI, which the Performance Assurance Committee (PAC) will be able to increase or decrease within an agreed tolerance
- **Meter reading performance standards will be set at less than 100%** to reflect that not all meters can be read, often for reasons outside parties' control
- Cyclic Meter Reads will also have **separate standards for internal and external meters**

Please note that the following proposals are **draft** for PAG feedback and comment.

Performance standards

- The reformed MPF will introduce Performance Standards into the Codes for each KPI
- Trading parties whose average performance against a KPI in a given month achieves the Performance Standard **will not receive any charges for that KPI**
- Performances below this level will be charged per failure
- The PAC may adjust Performance Standards up or down within an agreed % tolerance. Changes outside this tolerance will require changes to the Codes
- The PAC will be required to consult with the industry on changes to standards and provide at least three months' notice before implementation
- Changes will be subject to final Panel approval of a non-code document containing the prevailing standards.



The concept of **outperformance payments** is subject to further discussion and will not be introduced initially.

General rationale

Considerations

In developing proposals, MOSL has:

- Considered the context driving the design of KPI
- Recognised trading parties' activity costs
- Estimated market performance, e.g. market average and top performances by Retailers and Wholesalers
- Made allowance for an average degree of failure due to factors outside TPs' control
- Set charges to set them at a level that incentivises TPs to improve their performance, while considering the impact of total charges at a market level
- Focused on addressing areas of poor performance that are impacting customers and other parties
- Looked for points of consistency between KPIs

General rationale

Approach

When considering the financial impact of our proposals:

- We have taken a **relatively conservative approach** to the setting of initial performance charges
- We expect the total cost of charges to the market to be **broadly comparable to the equivalent current MPF** Market Performance Standards (MPS)
- However, we expect the **apportionment of charges between trading parties will be different**
- **Proposals will set new 'baseline' for the MPF**, which the PAC can adjust up or down within a % tolerance
- **We expect most trading parties will receive the same, or lower, charges under the new MPF.** However, the proposed model will apply charges in a way that recognises the impact of companies' performances on customers
- This recognition of the impact companies' performances has on customers is expected to lead to **material increases in charges for a small number of trading parties.** However, the increase is not expected to exceed the level at which these companies have been charged in the past 3-4 years.

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Reminder of M01 & M02 design

- The proposed M01 and M02 KPIs will replace the current MPF's MPS18 and MPS19
- M01 will report the proportion of non-smart meters that have monthly a read taken within SLA each month, i.e:
 - Bi-annual meters: 7 calendar months
 - Monthly meters: 1 calendar month
- M02 will do so for smart meters only
- A read is not expected if:
 - The SPID has not been tradable/installed/ assigned to the Retailer for the whole SLA period, or
 - There is an open bilateral request, i.e: C1 - meter verification, B5 – repair or replace a meter, or C5 – deregistration of supply point
 - Retailers managing to read a meter regardless of these obstacles will be deemed to have achieved the KPI

Biannual meters

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

Monthly meters

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

Accepted meter read types: Regular Cyclic Read (C), Initial (I), Temporary Disconnection Read (X), Reconnection Read (Y), Transfer Read (T)

Accepted meter read methods: Visual, Customer or Remote (Smart AMI only for M02)

Reminder of M01 and M02 design

- There are four variations of M01 and M02, reflecting:
 - Meters that are read bi-annually and monthly
 - Internal and external meters
- This allows performance to be assessed on a like-for-like basis between Retailers, whose portfolios may vary
- Each can have a different performance standard. This is a fairer approach than having one standard across all meter locations, types, frequencies.

KPI	Version	Explanation
M01	Biannual Internal	% of biannual internal meters that received a cyclic read in the preceding 7 calendar months
	Biannual External	% of biannual external meters that received a cyclic read in the preceding 7 calendar months
	Monthly Internal	% of monthly internal meters that received a cyclic read in the preceding calendar month
	Monthly External	% of monthly external meters that received a cyclic read in the preceding calendar month
M02	Biannual Internal	% of biannual internal SmartAMI meters that received a cyclic read in the preceding 7 calendar mths
	Biannual External	% of biannual external Smart AMI meters that received a cyclic read in the preceding 7 calendar mths
	Monthly Internal	% of monthly internal Smart AMI meters that received a cyclic read in the preceding calendar month
	Monthly External	% of monthly external Smart AMI meters that received a cyclic read in the preceding calendar month

Performance standards

Rationale for M01 standards

- Standards represent 9% to 13% uplift vs estimated market performance for each type of M01.
- Best performing Retailers of types (i.e. those with >50K SPIDs, <50K SPIDs, Self Supply & NAVs) are already at, or near, this standard
- The standards recognise some meters are more difficult to read, and some factors are outside Retailers' control.
- The clear difference in standards between internal and external meters, biannual and monthly meters better recognises variations in Retail estates.
- Margin for missed reads on internal biannual meters is higher than market average vacancy on internals (~13%).
- Margin for missed reads on internal monthly meters is higher than market average vacancy on internals (~5%).
- The standards offer headroom if PAC wishes to increase standards further.

	M01 – cyclic meter reads Proposed performance standard	
	Internal	External
Biannual	82%	92%
Monthly	75%	80%

MOSL view:

“Stretching but achievable”

Performance standards

Rationale for M02 standards

- Proposed standards are higher than M01 equivalent to reflect higher market performance due to benefits of smart metering
- Standards are less stretching vs market performance to recognise Retailers have less influence over performance
- Each standard represents a ~1% uplift versus market average performance for the associated version of M02
- The best performer within each Retailer type is already at, or near, the proposed standard.
- Is consistent with M01 in recognising performance differences between internal, internal, biannual and monthly meters.
- PR24 has set a requirement of 95% smart meter availability, i.e., unavailable for no more than ~19 calendar days per year. This requirement should provide Retailers sufficient uptime to meet the proposed standards
- There is headroom in the standards (particularly on monthly) for future stretch by the PAC (if required).

	M02 – cyclic meter reads Proportion of smart meters read	
	Internal	External
Biannual	96%	98%
Monthly	86%	88%

Performance charges

Rationale for M01 & M02 charges

Bi-annual meters: £3.30 per failure (below standard) per month

- Provides stronger incentive to read meters on time than MPS18 charge (a £10 charge every 200 business days) to read meters, rather than accept charges in each cycle, even for harder to read meters.
- On a pro-rata basis, the cumulative charge for every 7-month cycle that a read is missing is higher than MPS18 (£23.10 versus c£7.00) and this gap increases over time
- Offers potential for lower charges at the meter level (compared to MPS18) if missed reads are resolved within 3 months of failure.
- This creates an incentive to resolve missed reads quickly rather than 'skip' to the next cycle.

	M01 & M02 Performance charges
Meter	Charge per failure per month
Biannual	£3.30

Performance charges

Rationale for M01 & M02 charges

Monthly meters: £23.10 per failure (below standard) per month

- Creates a stronger incentive vs MPS19 charge (£20 every 40 business days) to read meters, rather than accept charges in each cycle, even for harder to read meters.
- On a pro-rata basis, the cumulative charge for every 1-month cycle that a read is missing is higher than MPS19 (£23.10 versus c£10.00) and this gap increases over time
- £23.10 puts the charge per full cycle failure at the same level as the biannual meter read cycle ($£3.30 \times 7 = £23.10$). This represents a consistent approach per cycle across both meter read frequencies
- Proposed charge creates a stronger overall financial incentive to resolve missed monthly reads, compared to biannual – reflecting the higher typical consumption on these meters

	M01 & M02 Performance charges
Meter	Charge per failure per month
Monthly	£23.10

Summary of M01 & M02 proposals

- Higher unit charges for monthly meters vs biannual as per current MPF, but the same cumulative charge for a full SLA cycle missed (£23.10).
- Higher charges at the individual meter/customer level for a full SLA cycle missed vs current MPS (£23.10 vs ~£7 on biannual, £23.10 vs ~£10 on monthly)
- No performance standards are set at 100%, reflecting that not all meters can be read
- If performance is above the performance standard, no penalty charges will be incurred for that KPI
- Lower standards for internal, non-smart, monthly read meters (vs external, smart, bi-annual) recognise the impact of these factors on companies' performance.

Theme	KPI	Unit Charge	Proposed initial standard
Cyclic Meter Reading Non-smart market meters (M01)	M01 Biannual Internal	£3.30	82%
	M01 Biannual External		92%
	M01 Monthly Internal	£23.10	75%
	M01 Monthly External		80%
Cyclic Meter Reading Smart market meters (M02)	M02 Biannual Internal	£3.30	96%
	M02 Biannual External		98%
	M02 Monthly Internal	£23.10	86%
	M02 Monthly External		88%

Estimated financial impact of proposals for M01 and M02



- We do not consider the proposals pose an unacceptable risk to the market
- Assuming no significant change in performance, we estimate market charges will be broadly in line with previous levels
- The apportionment of charges between trading parties will be different because the proposal place more emphasis on each meter/customer as requiring its own read.
- Parties whose current MPF performance is significantly higher than the proportion of its customers receiving a timely read (and settlement of actuals at R3) may see increases in charges, albeit not exceeding levels experienced in previous 3-4 years.
- Proposals will set new 'baseline' for the MPF, which will be subject to incremental adjustment by PAC.

KPI	Estimated annual charges for reformed MPF (whole market)	Whole market MPS18 and MPS19	
		August 2023 to July 2024	Annual average from Aug 2021 to July 2024
M01 Biannual	£816K	£799K	£1,313K
M01 Monthly	£305K	£273K	£320K
M02 Biannual	£12K	-	-
M02 Monthly	£12K	-	-
Total	~£1,145K	~£1,072K	£1,633K

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			Total: 2 hours

Reminder of M19 design

- M19 is replacing MPS13 and MPS14.
- Each month, M19 will report the proportion of non-market meters (NMMs) that have a read taken within SLA
- M19 will report the cyclic non-market meter reads (smart and non smart) that have been performed within SLA each month, i.e.:
 - Bi-annual meters: 7 calendar months
 - Monthly meters: 1 calendar month
- A read is not expected if:
 - The SPID has not been tradable/installed/ assigned to the Wholesaler for the whole SLA period, or
 - There is an open bilateral request, i.e: C1 - meter verification, B5 – repair or replace a meter, or C5 – deregistration of supply point
 - Wholesalers managing to read a meter regardless of these obstacles will be deemed to have achieved the KPI

Biannual meters

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

Monthly meters

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

Accepted meter read types: Regular Cyclic Read (C), Initial (I), Temporary Disconnection Read (X), Reconnection Read (Y), Transfer Read (T)

Accepted meter read methods: Visual, Customer or Remote

Reminder of M19 design

- There are eight variations of M19, reflecting non-market meters that are:
 - Read bi-annually and monthly
 - Internal and external meters
 - Smart and non-smart meters
- This allows performance to be assessed on a like-for-like basis between Wholesalers, whose portfolios may vary
- Each can have a different performance standard. This is a fairer approach than having on standard across all meter locations, types, frequencies.

KPI	Versions	Explanation
M19	Biannual Internal	% of biannual internal non-smart NMMs that received a cyclic read in the preceding 7 calendar months
	Biannual External	% of biannual external non-smart NMMs that received a cyclic read in the preceding 7 calendar months
	Monthly Internal	% of monthly internal non-smart NMMs that received a cyclic read in the preceding calendar month
	Monthly External	% of monthly external non-smart NMMs that received a cyclic read in the preceding calendar month
	Biannual Internal	% of biannual internal Smart NMMs that received a cyclic read in the preceding 7 calendar months
	Biannual External	% of biannual external Smart AMI NMMs that received a cyclic read in the preceding 7 calendar months
	Monthly Internal	% of monthly internal Smart AMI NMMs that received a cyclic read in the preceding calendar month
	Monthly External	% of monthly external Smart AMI NMMs that received a cyclic read in the preceding calendar month

Performance standards

Rationale for M19 standards

- Each standard represents ~10% uplift versus market average performance for the associated cut of M19
- The best performing Wholesalers are already at, or near, the standards
- Standards acknowledge that some meters are more difficult to read, and some characteristics are outside control.
 - There is a clear difference in performance between internal and external meters. A joint standard does not fairly account for Wholesalers with higher proportions of internal meters.
 - Margin for missed reads on internal meters is higher than market average 0 YVE on internals (~6.5%). [0 YVE being used as a proxy for vacancy – see QSP15].
- For simplicity, the standards for Biannual and Monthly M19 are the same, given the low number of monthly NMM meters (~400). They are also the same for smart and non-smart given the low number of non-market smart meters (<200).
- Provides headroom for future increase by PAC

	M19 – cyclic NMM meter reads Proposed performance standard	
	Internal	External
Biannual	90%	98%
Monthly	90%	98%

MOSL view:

“Stretching but achievable”

Performance charges

Rationale for M19 charges



- NMM performance is poor for some Wholesalers. A missing NMM read causes negative outcomes for Retailers and customers (consumption must be deducted from the market meter to produce the customer's bill)
- To reflect the importance of timely reads for non-market meters:
 - The wholesaler charge is £92.40, four times the £23.10 charge for Retailers for a full SLA (biannual or monthly) where a read is not provided
 - This multiple exists in the current MPF (MPS14 vs MPS18)
- The charge provides stronger incentive vs MPS13 charge (£40 every 160BDs) to read biannual NMMs meters rather than accept charges. On a pro-rata basis, the cumulative charge for every 7-month missed cycle is higher than MPS13 (£646.80 vs c£40) and this gap increases over time.
- It is also stronger than the current MPS14 charge (£40 every 40BDs) to read biannual NMMs meters rather than accept charges. On a pro-rata basis, the cumulative charge for every 1-month missed cycle is higher than MPS14 (£92.40 versus c£20) and this gap increases over time.
- Same charge for non-smart and smart meters as per M01 and M02. Same charge for biannual and monthly meters for simplicity given the low number on monthly non-market meters in the market (~400).

	M19 Performance charges
Meter	Charge per failure (below standard) per month
Biannual	£92.40
Monthly	£92.40

Summary of M19 proposals

- Same unit charges for monthly meters and biannual meters for simplicity (given the low number of monthly NMMs), based on a multiple of the M01 proposal
- Higher charges at the individual meter/customer level for a full SLA cycle missed vs current MPS (£650 vs ~£40 on biannual, £92.40 vs ~£20 on monthly)
- No performance standards set at 100% to reflect that not all meters can be read, often for factors outside trading parties' control
- If performance is above the stated standard, no penalty charges will be incurred.
- Lower standards on internal meters compared to external and non-smart meters compared to smart, to recognise the impact of meter characteristics on performance.

Theme	KPI	Unit Charge	Proposed initial standard
Cyclic Meter Reading (non-smart NMMs only)	M19 Biannual Internal	£92.40	90%
	M19 Biannual External		98%
	M19 Monthly Internal		90%
	M19 Monthly External		98%
Cyclic Meter Reading (smart NMMs only)	M19 Biannual Internal Smart		90%
	M19 Biannual External Smart		98%
	M19 Monthly Internal Smart		90%
	M19 Monthly External Smart		98%

Estimated financial impact of proposals for M19

- We do not consider the proposals for M19 – cyclic meter reads of non-market meters - pose an unacceptable risk to the NHH market
- Assuming no significant change in performance, total market charges are estimated above previous levels but within capacity of Wholesalers to absorb cost
- Charges are relatively of low materiality vs revenue and ODIs, but place more emphasis on each meter/customer as requiring its own read.
- Proposals will set new 'baseline' for the MPF, which will be subject to increases/decreases by PAC within a tolerance.

KPI	Estimated annual charges (whole market)	Whole market MPS13 and MPS14	
		August 2023 to July 2024	Annual average from August 2021 to July 2024
M19 (Biannual)	£160K	£98K	£104K
M19 (Monthly)	£18K	£4K	£7K
TOTAL	~£178K	~£102K	~£111K

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Upcoming PAG workshop(s)

Nb: subject to change

Date	Detail
30 January 2025	Charges and performance standards for M04, M06, M09 Transfer Reads
5 February 2025	TBC

AOB