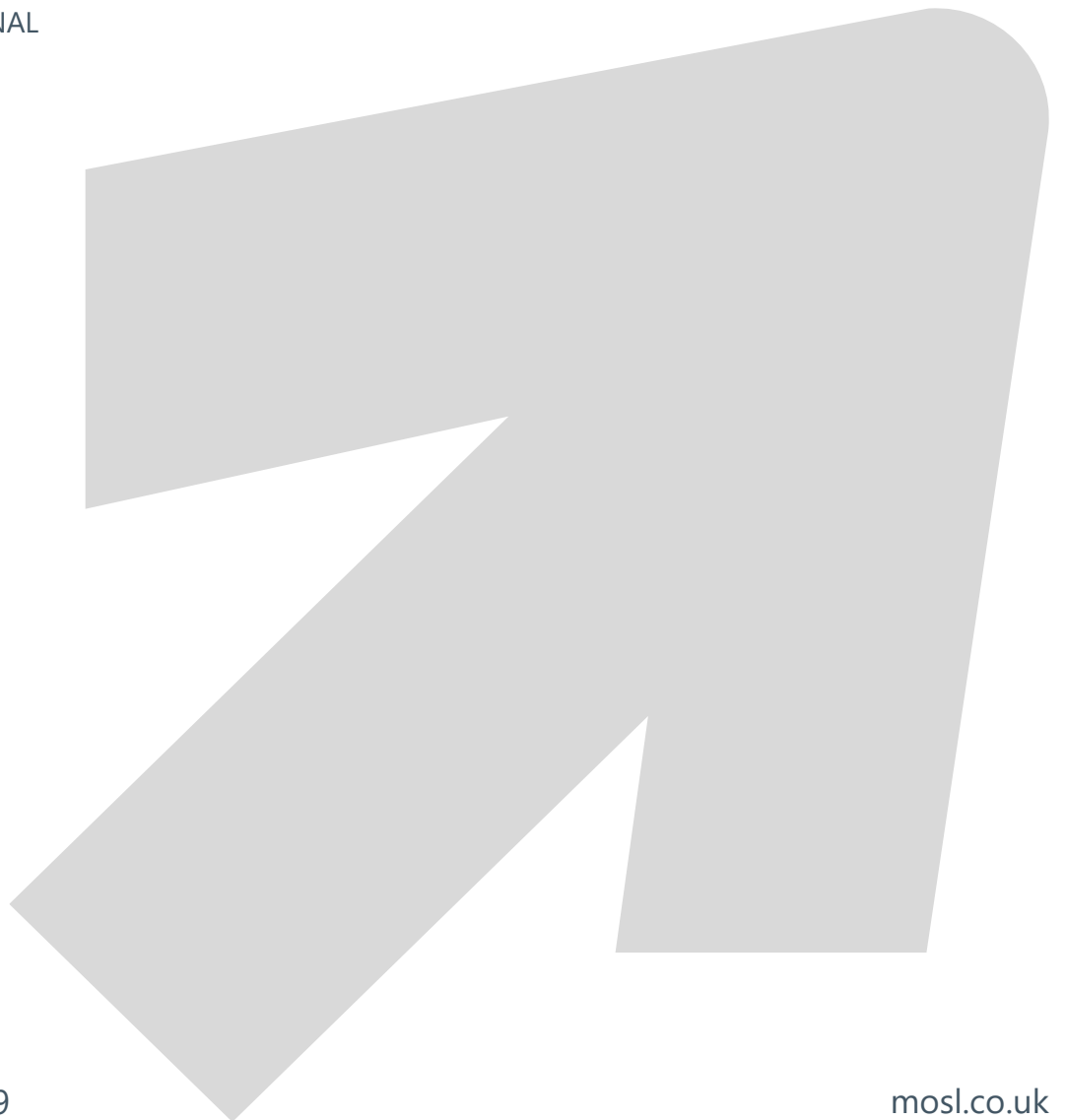


Performance Advisory Group (PAG) 73

Location: MS Teams

Date and time: 05 February 2025, 1000 - 1200

Status of minutes: FINAL



Meeting Minutes

Market attendees

Name	(Initial)	Role/Organisation	Name	(Initial)	Role/Organisation
Adam Boyns	AB	CCW (O)	Letoia Mann	LM	Clear Business (R)
Clare Garland	CG	United Utilities (W)	Lewis Campbell	LC	Castle (R)
Daniel Proctor	DP	Waterplus (R)	Mark Howell	MH	Waterplus (R)
David Moss	DM	Castle (R)	Michael Gadd	MG	United Utilities (W)
David Seymour	DS	Thames (W)	Mike Rathbone	MRa	Severn Trent (W)
Emily Jerome	EJ	Water2Business (R)	Paul Baker	PB	Business Stream (R)
Gillian Bladen	GB	Southwest (W)	Paul Walmsley	PW	Yorkshire (W)
Greig Jardine	GJ		Peter Strain	PS	Castle (R)
Harriet Chappell	HC	Yorkshire (W)	Robert Hetherington	RH	Ofwat (O)
Jacob Head	JH	Water2Business (R)	Shakima Fagan	SFa	Everflow (W)
Jamie Davis	JD	Castle (R)	Sian Forward	SFo	Northumbrian (W)
Jon Fuller	JF	Wessex (W)	Sindiso Bango-Dube	SBD	Waterscan (R)
Jordanna Lo	JL	Business Stream (R)	Tim Brewer	TB	Wessex (W)
Julie-Ann Anderson	JAA	SES (R)	Toria Milton	TM	
Karen Winfield	KW	Anglian (W)	Wendy Monk	WM	Wave (R)
Kristofer Turner	KT	Castle (R)			

MOSL Attendees

Name	(Initial)	Role	Name	(Initial)	Role
Miles Robinson	MR	Chair	Janet Judge	JJ	Observer
Oli Robins	OR	Presenter	John Gilbert	JG	Observer
Alexander Piper	AP	Observer	Sam Webb	SW	Observer

Amanda Hinde	AH	Observer	Sauda Dickinson	SD	Notes
Elliot Smith	ES	Observer	Steve Formoy	SF	Observer
Huw Comerford	HCo	Observer	Toby Hunt	TH	Observer

1.	Welcome & update
	<p>MR welcomed all members to the meeting and confirmed the agenda. MR reminded attendees that agenda, minutes and slides are published on the MOSL website for review and questions and comments to be sent via mpfreform@mosl.co.uk. MR presented the MPF Programme plan.</p> <p>MR noted that an email was received offline from JD as a request to talk about MO1 and MO2 in terms of how they are built up in the design and whether we should look at them separately or merged.</p>
2.	Summary Proposal
	<p>MR presented an overview of Consultation 5, as on slide 6. MR presented an overview of the goal for today's meeting, as on slide 7. MR presented an overview of Cyclic Meter Reading, as on slides 8-9. MR presented the Headline Changes, as on slides 10-11.</p>
3.	M01, M02 Charges & Standards
	<p>OR presented the updates to proposed standards, as on slide 13.</p> <p>DM queried what degree of change the PAC has control over regarding the standard percentages.</p> <p>OR advised that change can be made by PAC by 5% in either direction.</p> <p>DM advised that the bi-annual internal reads should not be different than monthly reads as bi-annual reads are more at risk.</p>

DS advised that there should not be a difference between smart meters and non-smart meters as they are still all retailer required reads and should not be made more complicated, suggesting that there should only be one standard for all cyclic meter reads as there has previously not been a differentiation between AMR in the market.

MR advised that a detailed discussion was had during Consultation 4 on the approach around looking at internal, external and smart meters differently and noted that a change could not be made at this point of the programme.

OR advised that the approach to smart meters follows on from the discussion on treating internal and external meter reads differently, noting that, although having different standards goes against the aim of simplicity, it enables accountability. OR advised that it would be useful to have feedback in the Consultation responses and perhaps get some clear rationale as to why separating the standards would not be in the best interest of customers.

AB queried how the proposed standards and charges tie in with the current average market performance as that is what needs to drive these decisions and rationale.

OR advised that the PAC will have the ability to increase the proposed standards, and the programme will only be setting out the initial stretch when it is implemented, noting that the 9%-13% uplift, presented at the previous PAG meeting, was done with initial performance data that had not been assured to the same extent as was done following that meeting. OR further noted that the current proposed standards are set 6-7% upwards of what current performance is to avoid setting a standard that would be unachievable for many trading parties and potentially destabilising once charges are applied.

SF advised that the rationale on differentiating between traditional and smart meters as it should be easier to submit a read smart meter read than a traditional meter read, noting that, according to the data, there is a clear gap in performance in the market for smart meters and traditional meters, and that the different concentrations of smart metres in the market will exacerbate over the next five years as smart meters roll out. Splitting smart meters out would enable a fairer comparison of performance just as the rationale for splitting internal and external meter read standards and would also enable a better understand of retailer performance for customers.

GB advised that the decision to split things out came from the Consultation for smart metre reads being the responsibility of the wholesaler but that looking at the response from Ofwat rejecting that proposal, noting that there may be a future time where the split for smart meters may be required but that the smart meter infrastructure needs to be in place first and by having separate measures on retailers, those metrics are going to come down to geographically differences and not necessarily the retailers performance. It may be more sensible to have those two metrics as APIs with a single combined KPI to allow for analysis and enable a split in the future.

SF advised that the rationale for retailers being responsible for reading smart meters will be set out clearly in the Consultation and works very well and enables comparison.

JD advised that there is no simplicity in having eight measures with M01 and M02. There is no analysis being done on the unintended consequences of splitting these measures out. Castle, alongside Thames, have made efforts to roll out smart meters, but that would result in more problematic meters in M01 as there are more and more inaccessible meters. JD queried how legacy LUMs could be a retailer responsibility and what they are expected to do about it, reiterating a concern with having eight different measures as it would incentivize retailers to request wholesalers to stop smart meter roll outs as fines on these measures would hinder funding for smart metering as one of the unintended consequences. JD advised that discussions on the split were discussed before Ofwat's rejection. Concerns from the previous PAG meeting have not been addressed here.

MR advised that the point around simplicity was considered in detail and that the decision for the split in meters was based on the discussion that there are meters that are a struggle to read as the same argument applied to internal and external meters and after many long discussions it was noted that it may not be about the number of metrics but rather about what the data tells us.

JD advised that this is not incentivising trading parties but rather penalising them and disincentivising parties to spend money on smart meter roll outs. JD advised that principles have not been consistently applied across measures and that if you wanted to investigate the data, you could have these measures as APIs.

MR advised that all feedback from Consultation will be listened to, responded to and summarised. MR noted that the design decision made to separate M01 and M02 cannot be merged at this point but that does not mean that the performance standards cannot be aligned.

JD queried whether that meant that M01 and M02 will not be merged even if most of the feedback from the Consultation is to have them merged.

MR advised that the performance standards would then be the same.

JD queried that regardless of today's discussion and Consultation feedback, M01 and M02 will not be merged.

MR confirmed that, in terms of design, the two will be reported separately.

JD advised that this approach is seen as MOSL not listening, especially since the last Consultation was before Ofwat's decision.

SF advised that to some extent, nothing is off the table until the official code change but agreed that steps have been taken to reach a decision and an attempt to move to the next steps.

MR advised that MOSL would be happy to have an offline discussion with Castle in more detail if need be.

DM advised that there may be a false narrative around smart versus traditional meters as you can measure performance without having a performance metric, and it should be an API. It may be the wrong approach as for smart meters as there is not a performance issue with having to physically read the meters on site, so there may not be a need to have a performance standard for smart meters but that instead MOSL should perhaps look at the actual reaction time of trading parties in response to smart meters failing.

SF agreed that it may be trickier to resolve poor performance on M02 and that was taken into consideration when setting the performance standards, but that it should be measured separately, and it would be useful to get feedback through the Consultation on how M02 is measured as smart metering is a fairly new area.

DM advised that the market has had AMR for a long time and there have never been differing performance charges on those. DM further noted that there has been the issue of proportionality on LUMs and the impact it will have as the pot gets smaller and charges will become greater. The MIF needs to pivot to fix the performance issues that it gets funded by. There has been no reporting to state how the MIF is directly helping customers. Not enough analysis has been done by MOSL on the technologies and trading parties' reaction to them.

JL noted that, on the point of simplicity and having eight measures rather than the current two in place, it had been agreed that biannual and monthly reads were to be measured separately, as well as internal and external meter considerations, noting that there had to be at least four new measures. JL agreed with the possibility of having these measures as APIs but queried the ownership of it. JL advised that retailer may still need to do manual reads for AMI and queried how that would cross between the two measures. As the infrastructure and processes are not here for smart metering, maybe it should be considered as an API rather than a KPI. JL queried whether it is standard that wholesalers will provide the API reads free or whether they charge as there is a discrepancy in that across wholesalers which needs to be considered.

SF advised that the definition of AMI needs to be part of the code change as there is currently no definition in the codes, and that will need to include when a metre is commissioned as it should only be an AMI metre for the purpose of M02 once the wholesaler has commissioned it. SF further advised that once a meter has been commissioned as a smart meter, it goes into M02, except that sometimes that may still be read manually.

MR advised that feedback from today will be taken away by MOSL for consideration.

	<p>OR noted that the pre-read Consultation documents will include alternative solutions and challenges proposed as well as the analysis and background data.</p> <p>OR presented the updates to proposed performance charges, as on slide 14.</p> <p>WM advised that there is about a 20% difference between monthly and biannual meter read performance in the current MPS and queried whether that difference has been considered and what the rationale was for aligning it in the new standards.</p> <p>OR advised that, having run and assured the data for M01, the biannual performance appears lower than current MPS and is therefore closer to the monthly M01 performance than MPS18 is to MPS19.</p> <p>GB advised that retailers are not deliberately underperforming for monthly reads and are trying to get the reads and queried whether the reasons for not getting a read are being considered, noting that it is a lot challenging to achieve a monthly read and the standard as been set a lot higher than what is currently being achieved.</p> <p>OR advised that the standard and charge have been set from the perspective of the importance of monthly reads in terms of the value they add to the consumption that are missed monthly but noted that if Consultation feedback outlines that, if combined, that charge and the standard will not be incentivising improvements the or that it is impossible to increase performance beyond a certain point, that will be taken into consideration and reassessed.</p> <p>SW advised that MOSL has looked that the difference in the currently biannual and monthly performance and noted that the current MPS19 standard measures performance on 25 business days, so parties are currently reading meters within the month but outside of the 25 days and therefore failing the standard, which is why the standard has now been changed to look back over the whole month as the current standard was not working for the market.</p> <p>PB queried what the market average is under the new measures.</p> <p>OR confirmed that the market performance average is currently around 70% under the new measures and the standard is set at 80% for internal and 85% for external but noted that there are retailers currently performing at these new levels. The market performance data will be included in the Consultation.</p> <p>OR presented the summary of M01 & M02 proposals, as on slide 15. OR presented the Estimated financial impact of proposals for M01 and M02, as on slide 16.</p>
<p>4.</p>	<p>M19 Charges & Standards</p>
	<p>OR presented the updates to proposed standards and charges, as on slide 18.</p>

JF advised that, in the current MPS, wholesalers experience four times the charges that retailers face for the same activity and raised concerns that that charge is now being moved to seven times the charge.

OR advised that there is a wider spread in expected performance on M19 and consideration has been taken that there is a need for the higher financial incentive to get some of the lower performers up to the market baseline.

DS queried why the M01 performance standard has been modified but not the M19 and queried why a wholesaler is being charged more than a retailer for failing the same thing.

OR advised that the assurance process following the first time the standards were shared did not identify any change in the expected exposure to charges from performance as it did for M01.

DS advised that there is a contradiction as it implies that the standard is higher because a higher number of meters are being read and queried why wholesalers would be penalised for reading more biannual meters and noting that the charge should be aligned with M01's £2.50 charge.

SF advised that, looking at performance across the market, the charge has been set to incentivise low performance, and that the rationale will be set out in the Consultation.

DS advised that low performance should now be targeted by the PAC rather than by charges as that is what the PAC is for.

JF agreed that there are other tools, and not just charges, to influence some low performers.

SF advised that all challenges from today and from Consultation will be taken into consideration.

OR presented a **Summary of M19 proposals**, as on slide 19.

OR presented the **Estimated financial impact of proposals for M19**, as on slide 20.

DS queried whether the Consultation would set any exceptions for M19 that align with exceptions for M01.

OR advised that the previous meeting set out rates of 0 YVE been settled against non-market metres as the proxy for vacancy and will be set out as part of the rationale for the standards in the consultation document.

5. Upcoming PAG workshop(s) & AOB

MR provided an overview of upcoming workshops.

JD requested that details of any analysis undertaken, regarding unintended consequences of the current design of this metric, be added to the Consultation.

MR noted that feedback received offline from Castle will be reviewed and responded to and possibly further discussed offline.

DM queried how trading parties going about raising requests for nonmarket metre investigation.

GB advised that it may make sense to raise it on the SPID that has that non-market meter.

DM advised that there are no mentions of non-market metering within the current C1 or B5 and queried whether there are functionalities to raise non-market meter rate issues via C1 and B5.

GB advised that wholesaler would be looking into any issues with those non-market metres and resolving them without any need for a process as they are mostly household customers or no customer at all.

DM advised that that would not facilitate the need to have differentiation for MOSL's monitoring and control.

JG advised that MOSL would the point away and advise.

EJ queried whether one PAG meeting could be used to further discuss the concerns raised today rather than having a closed meeting with Castle as the challenges raised should be discussed with all the PAG members.

MR advised that MOSL would review upcoming workshop timelines and advise on a meeting date to possibly further discuss challenges raised.

MR closed the meeting.