MOSL MO compliance report

Q2 2019/20

MOSL
MARKET OPERATOR SERVICES LTD

Overview

MOSL has reviewed its compliance against the Market Operator (MO) obligations contained within the Market Codes for Q2 of 2019/20. The results of this review show that the overall compliance across the 13 services MOSL provides to the market, has remained static, with 8 non-compliances this quarter.

Obligations			
Status	**Q4 2018/19**	**Q1 2019/20**	**Q2 2019/20**
Compliant	1,124	1,137	1,137
Non-Compliant	22	8	8
Total	**1,146**	**1,145**	**1,145**

Market Impact			
High	**Medium**	**Low**	**Total**
255	426	456	**1,137**
2	1	5	**8**
257	**427**	**461**	**1,145**

Decrease in MO obligations

The total number of MO obligations have remained static this quarter. In terms of yearly movement, the number of MO obligations has decreased from 1,169 to 1,145.

Obligations	Q2 2018/19	Q3 2018/19	Q4 2018/19	Q1 2019/20	Q2 2019/20
Net Increase / (Decrease)	3	(21)	(2)	(1)	-
Total	**1,169**	**1,148**	**1,146**	**1,145**	**1,145**

Interactive Charts

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MO Risk Q2 2019.html

MO Performance Q2 2019.html

Areas of non-compliance

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High market impact

Non-compliance relates to the implementation of an escrow solution in relation to CMOS data. The high market impact non-compliances have reduced due to recent activity, this is explained in **slide 5**. MOSL is actively working to resolve the remaining non-compliances.

Low – med. market impact

One new medium impact non-compliance has been identified in this quarter, this relates to the method that capital expenditure is allocated, the method used since market opening is not in line with the code, this is currently being discussed within MOSL to ascertain the next steps.

The remaining five existing non-compliances relate to Business Continuity and misalignment between code and working practices. Further details is provided on **slides 6-10.**

Market impact of non-compliance					Slide Ref.
Service	**High**	**Medium**	**Low**	**Total**	
CMOS service management	-	-	1	**1**	***10***
Data management	-	-	-	-	
Disputes	-	-	-	**-**	
Financial settlement	-	-	2	**2**	***6***
Market charges and payments	-	1	-	**1**	***9***
Market compliance	-	-	-	**-**	
Market engagement	-	-	-	**-**	
Market entry assurance and exit	-	-	-	**-**	
Market Incident Management Plan (MIMP)	2	-	2	**4**	***7-8***
Market operator compliance	-	-	-	**-**	
Market performance and insight	-	-	-	**-**	
Panel and market code change	-	-	-	**-**	
Trading Party compliance	-	-	-	**-**	
Total	**2**	**1**	**5**	**8**	

Resolved non-compliances

During Q2 2019/20, 1 non-compliance was resolved and reported as compliant. The rationale for the change in compliance status is detailed below, together with the Service and Process to which each obligation relates.

Service	Process	No.	Details	Resolution
Market Charges and Payments	**Non-payment**	**1**	• **Notification of non-payment of invoice to members, panel and authority within two business days** It was identified that the Panel had not been notified of any late payments since 2018 - they have not yet been updated, this will take place in August or September Panel.	• Panel updated and new process for notification agreed.

Financial Settlement

Non-compliant obligations: 2

Process	Details of non-compliance	No.	Market Impact	Close-out plan
Unplanned Settlement Runs	• **Unplanned settlement reporting** This obligation relates to the type of Unplanned Settlement Reports issued by the Market Operator in respect of a set of SPIDs that have been recalculated as part of an unplanned settlement run. MOSL is non-compliant as we recalculate and issue the complete pairing rather than the affected SPIDs (i.e. using disaggregated reports for charging). MOSL has taken a policy decision to run settlement pairings rather than individual SPIDs as this is operationally more efficient and provides trading parties with more data. The approach of not using disaggregated reports has been pursued since market opening. This has previously been verified by discussions with trading parties.	2	Low	• CPW64 was approved by Ofwat on 1st October 2019, so now compliant, however, was non compliant as at 30th September.

Market Incident Management Plan (MIMP)

Non-compliant obligations: 4

Process	Details of non-compliance	No.	Market Impact	Close-out plan
Escrow Agreement	• **Escrow requirements** The requirements for escrow cascades down from the market codes to the CGI contract, which imposes an obligation on CGI to deposit into escrow and keep fully up-to-date the Source Code Materials. The revised solution for escrow deposits has been contractually agreed with CGI. As part of this solution, the data will be deposited with NCC. In order to do this, a deposit agreement needs to be signed between CGI, MOSL, Ofwat and NCC. The market code requires the escrow deposit to maintain "up-to-date" CMOS data. MOSL will never be compliant with these obligations as any escrow submission is periodic and therefore, compromises the ability to be submitted in near real-time.	2	High	• MOSL has agreed an escrow solution, whereby CGI will deposit all CMOS collateral (including data and Source Code etc.) on a monthly basis. • The solution requires Ofwat to enter into an deposit agreement with MOSL, CGI and the escrow provider. • Ofwat feel that they should not have any liability for the data prior to any transfer taking place and the agreement has been amended to reflect this. • An agreement has been circulated for Ofwat's approval and MOSL are seeking to resolve this in Q2 2019/20. • Ofwat are yet to sign the deposit agreement, which means that the data cannot be deposited yet with NCC. • Data liability issue has been resolved, issues remain over release fee, proposal provided to manage this, which currently sits with MOSL. • MOSL will remain non-compliant with these escrow requirements until the point at which the deposit agreement is signed and the data is deposited.

Market Incident Management Plan (MIMP)

Cont.

Process	Details of non-compliance	No.	Market Impact	Close-out plan
Business Continuity	• **Business Continuity Management Systems (BCMS)** ISO accreditation was achieved within Q1 2019/20, however, two obligations remain outstanding, these relate to: • Making all relevant elements of the BCMS available to trading parties; and • Establishing a rolling annual BCMS maintenance schedule available to all trading parties.	2	Low	• These obligations will remain non complaint until the MIMP committee is formed.

Market Charges and Payments

Non-compliant obligations: 1

Process	Details of non-compliance	No.	Market Impact	Close-out plan
MO charges	• **Allocation of the costs of capital expenditure between current and future trading parties** MOSL are required to allocate the costs of capital expenditure equitably as between current and future Undertaker Wholesale Businesses and Retailer Businesses. During a review of his code obligations MOSL's Interim Finance Director identified that the method used by MOSL is not in line with the code, however, MOSL have been using an agreed method since market opening. Following identification this was notified to MOSL's Board and discussions are currently taking place as to how this will be resolved moving forward. It is should be noted that the cost of capital expenditure has been allocated in the same manner as operating expenditure.	1	**Medium**	• Post market opening MOSL has had a relatively low level of capital expenditure (£636k in 2018-19) It would therefore be neither appropriate nor proportionate to have a system to allocate such expenditure across multiple years. • However this will be kept review and should capital expenditure rise to a material amount The board will review and if necessary consult with the panel.

CMOS Service Management

Non-compliant obligations: 1

Process	Details of non-compliance	No.	Market Impact	Close-out plan
Query resolution	• **Query handling** MOSL shall log all permitted enquiries raised by the Contracting Wholesaler and the Contracting Retailer and shall provide assistance to the Contracting Wholesaler and the Contracting Retailer with a view to resolving such enquiries in accordance with the relevant Working Procedure	1	Low	• MOSL is not currently logging 100% of the total number of enquiries received from Trading Parties. • The current process for logging requests is a manual one and requires all MOSL staff to log queries into a spreadsheet • A query management solution is being sourced for this by MOSL's internal project team

Availability of CMOS

2018/19

		2018/19 Performance											
KPI	**Target**	**Apr-18**	**May-18**	**Jun-18**	**Jul-18**	**Aug-18**	**Sep-18**	**Oct-18**	**Nov-18**	**Dec-18**	**Jan-19**	**Feb-19**	**Mar-19**
CMOS Systems % SLA targets*	**99.9%**	100%	100%	100%	100%	100%	100%	98.02%	100%	100%	100%	100%	100%
Customer calls / service requests dealt within SLAs	**85%**	97.7%	98.6%	99.03%	85.7%	93.2%	92.4%	90.1%	98.9%	93%	100%	98.7%	99.4%

2019/20

		2019/20 Performance											
KPI	**Target**	**Apr-19**	**May-19**	**Jun-19**	**Jul-19**	**Aug-19**	**Sep-19**	**Oct-19**	**Nov-19**	**Dec-19**	**Jan-20**	**Feb-20**	**Mar-20**
CMOS Systems % SLA targets*	**99.9%**	100%	100%	100%	100%	100%	100%						
Customer calls / service requests dealt within SLAs	**85%**	100%	100%	100%	100%	83.33%	100%						