

# market focus

Welcome to our December edition of *Market Focus*, providing a monthly update on MOSL activities and the water retail market.

## A personal message from MOSL CEO Sarah McMath

"As we approach the end of what has been a challenging and unpredictable year, I would like to take the opportunity to wish all our members and stakeholders best wishes for the holidays.

Together, we have faced unprecedented challenges in supporting the market during the impact of COVID-19. Through the past 10 months, myself and the MOSL team have worked hard to put in place a series of measures to support liquidity and better enable trading parties to provide essential services to business customers. I have also witnessed first hand the hard work and commitment of teams across the market. It has shown the power of collaboration

in times of urgency and sought to build resilience in a market that is still evolving.

Whilst the pandemic has had an impact on all organisations, we must not ignore the impact it has had on us as individuals. It is my hope that you and your teams are able to find time this holiday season to focus on your wellbeing and spending much needed time with your families. Although the end of 2020 will not mark the

end of the pandemic, I believe we have now strengthened our footing and can continue in 2021 to drive improvements in the non-household market.

In January, we will be issuing our first three-year business plan and I look forward to engaging more with you as we seek your feedback on our future plans. For now though, I wish you all the best for the festive season and a very happy New Year."



## MOSL's three year business plan

Following the [CEO Forum](#) held at the beginning of November, during which we outlined the proposed timeline for the development of our three-year business plan, we have issued the draft business plan to the Panel for consultation.

The consultation opened on 17 November and will run until Monday 14 December. The Panel provided some initial feedback on the plan at its workshop held on 23 November. The formal response will be submitted by the Panel Secretariat on behalf of the Panel to MOSL CEO, Sarah McMath.

We will use this feedback to inform the final plan and will present the Panel consultation responses to the MOSL Board at its meeting on 16 December and as part of the final plan being published on 7 January.

This year, we have taken on board feedback from Panel members and consulted with the Panel earlier and more regularly throughout our business planning process.

To support transparency and to reduce the air-gap between the CEO Forum and the plan being published at the beginning of January, we will be hosting a short webinar with invited member CEOs and Contract Managers on 17 December. Find out more about the webinar on page 6.



*Happy Holidays 2020*

## MOSL's response to the second national lockdown

In November, MOSL and Ofwat outlined [steps that would be taken in response to the second national lockdown in England](#).

Recognising the challenge associated with delivering key processes and meter reading during lockdown restrictions, these steps included an [extension to the suspension of Market Performance Framework charges](#) until the end of December 2020.

It remains important, as we move out of lockdown into the new tiered system, that retailers continue to take active steps to best reflect reduced consumption, where appropriate. This was achieved previously via additional, temporary provisions to extend the use of vacant site identifiers. In parallel, during the first lockdown, retailers were able to use the Yearly Volume Estimate (YVE) parameter to actively manage sites that were

consuming water at reduced rates.

The use of YVEs in this way has continued as we have seen local restrictions implemented under the government's tier system. YVEs allow retailers to manage consumption patterns using standard market processes, following standard market principles. Use of YVE's does not require additional, complex processes and can be monitored easily. As such, Ofwat and MOSL have not sought to reintroduce the additional complex provisions relating to temporary vacant rules and identifiers.

Ofwat has reminded retailers that they should continue to offer customers COVID-19 repayment plans until 31 March 2021 or as

otherwise notified. It has also published a [joint statement](#) with CCW and is considering [further changes to the Customer Protection Code of Practice](#).

Ofwat has committed to monitor the level of additional bad debt emerging in the business retail market following the introduction of COVID-19 measures and if bad debt across the market is likely to exceed two per cent of turnover, the regulator will provide regulatory protections for a portion (but not all) of this additional exposure.

To monitor this, a call for inputs (CFI) in relation to [customer bad-debt costs](#) was published by Ofwat on 30 November. This CFI seeks views on Ofwat's

approach to assessing whether and how revisions to regulatory protections may be warranted in the water retail market in respect of risks of elevated customer bad debt resulting from the effects of the pandemic. They are particularly keen to hear from business customers and their representatives as well as retailers and other market participants. The CFI is open until Friday 22 January 2021.

In parallel, we will continue to monitor developments and keep these market measures under review. We will be providing more insight on the impact of the first lockdown compared to the second lockdown in next month's edition of Market Focus. For more information, visit our [website](#).

## Market Improvement Fund

In September 2019, Ofwat approved code change [CPM018 'Treatment of MPOS and OPS Charges'](#) which enabled performance charges to be used to fund 'market enhancing projects' rather than being redistributed to trading parties.

Whilst the code change was implemented in January 2020, work to define the governance, eligibility and administration of the Market Improvement Fund (MIF) was put on hold due to COVID-19.

This was to ensure that MOSL and Panel resources focused on responding to the impact of the pandemic and the urgent code changes required. The delay to progress the MIF also ensured that performance charges could be used, as necessary, to support liquidity challenges rather than used for innovation projects in 2021.

As the country has now moved out of the second national lockdown, we have restarted work to develop the fund, including how trading parties will be able to bid. We are currently looking at two processes

for project bids – one targeted for smaller projects under £50k and a more sizeable process for larger, high-cost bids.

We are working closely with the Panel to ensure both processes are robust, whilst being accessible to all parties. We are also working with Ofwat to ensure alignment between MOSL's fund and the Ofwat Innovation Fund which was launched in August 2020.

Our ambition is that the funds will complement one another and encourage innovation across all sectors of the industry. Whilst the funds are separate and MOSL's is targeted to advancing the non-household market, there will naturally be areas which overlap.

We will be focusing on the governance arrangements of the small project bids for the first

year – recognising it will be a period of learning. It is MOSL and the Panel's intention to open the application window in February 2021. We will provide an update

on the development of the fund in next month's Market Focus.

### Ofwat launches Innovation Fund

Ofwat has established a **£200 million innovation fund** to encourage innovations that will transform water and wastewater services in England and Wales. In 2021 they will be running at least two competitions that water companies and others can enter with their innovations.

- ◆ A £2 million 'Innovation in Water Challenge' for funding projects up to £250k. This will open for entries from January 2021
- ◆ A £40 million main competition. This will open for entries from April 2021.

Ofwat's overall aim for the Innovation Fund is to "support initiatives that can deliver significant value for customers, society and the environment". The website will launch in January 2021 and Ofwat expect to run further competitions each year from 2022 to 2025.



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## Market improvement: monthly Market Performance Operating Plan (MPOP) progress

Here is an update of our MPOP workstreams over the last month.

### Workstream A: High quality customer and asset data

The Request for Information (RFI) for our data cleanse plan closed on Friday 6 November. We are currently analysing the results to inform the development of a data cleanse plan. In parallel, we are looking to integrate the findings into our longer-term three-year business planning.

The RFI covering new connections was launched on Thursday 10 December. This will help to guide our next steps in improving the process of registering new supply points into the market and reducing the high level of new connections becoming vacant soon after they become tradable. The RFI will run until 12 January 2021.

We have also been consulting on change proposal, [CPW106: 'De-registration of long term vacant supply points'](#). The code change is intended to assure the eligibility of long-term vacant premises and facilitate their possible deregistration. The consultation closed on Wednesday 9 December. Responses will be used to develop a Draft Recommendation Report to be submitted to the Panel in February 2021.

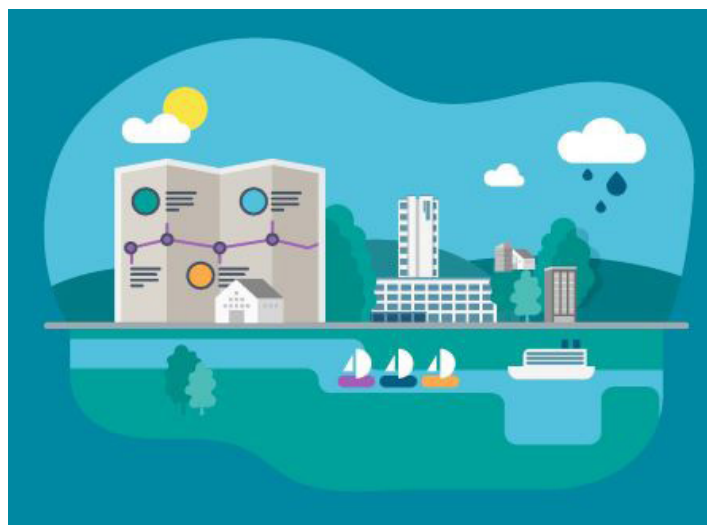
Lastly, we are continuing to develop a platform to improve the Vacancy Change Application (VCA) process to facilitate the resolution of disagreements about the occupancy status of premises. This is expected to be complete by the end of January 2021 and will include the publication of supporting guidance documents.

### Workstream B: Timely and robust consumption data

An update on MOSL's Strategic Metering Review was presented to the [CEO Forum](#) on 4 November. In parallel, last month, we issued an RFI on metering. The summary of responses to which have now been [published on our website](#).

We are also starting work to develop proposals for how to improve the sharing of consumption data and options for dealing with difficult to read meters.

Working with our technology partner, CGI, we are looking to enhance the processes for managing the rejection of meter reads submitted into the central system (CMOS). The improvements, which are being carried out over the coming



months, aim to remove unnecessary process steps, refine validation rules and improve the user friendliness of the system.

### Workstream C: COVID-19 remediation activity

We have reviewed the impact of estimation and Yearly Volume Estimates (YVE) on settlement.

Initial findings show that YVEs disproportionately impact settlement accuracy, but that estimates based on historical reads account for most of the inaccuracies.

Our next steps will be to review the impact of the changes to YVEs during the COVID-19 lockdown on settlement accuracy.

We are continuing to develop our strategy for verifying the 'true' level of vacancy and will be publishing a report in the coming months. This will also be integrated with our longer-term business planning, as appropriate.

For more information, [visit the dedicated Market Improvement page of our website](#).

## Channel Management beta group

MOSL is looking to establish a beta group to support the development and testing of the new MOSL website. This is the first phase of our Channel Management Programme which will be delivered in phases over the next three years.

The requirements of the beta group is to:

- Provide trading party input on website redesign, including user requirements
- User test the website and provide feedback to inform ongoing development (forecasted for January 2021)
- Be prepared to be involved in further phases of the website redesign project (across 2021/22).

In order to ensure the MOSL website serves trading parties and the market effectively, we are keen to ensure there is adequate representation across industry, therefore, we would like to invite interested parties to join the beta group.

We are mindful that trading party resources are stretched at present due to COVID-19, so we will ensure that the requirements of beta group members are considerate of the time commitments to their roles within their organisations.

We will shortly be publishing the group's Terms of Reference (ToR) and sending out an invitation to a short introductory webinar in January.

If you are interested in joining the beta group, please email [comms@mosl.co.uk](mailto:comms@mosl.co.uk).



## Bilateral Transactions Programme monthly update

The Bilateral Transactions Programme continues to make good progress. Here is an update on activities that have taken place over the last few weeks:

At the time the Full Business Case for the bilaterals programme was signed off, there was a funding gap of circa £420,000 for 2020/21 to begin implementation of the programme. Through a combination of MOSL efficiencies, lower operational costs (e.g. due to home working during COVID-19) and cost savings, MOSL has been able to close this gap and begin work on the implementation phase of the programme.

Work continues on the development of the pilot 'meter verification' (C1) process. We have also now begun work on the 'meter

replacement' (B5) process.

The membership of the four working groups (Operational Advisory Group, Technical Advisory Group, Code Advisory Group and Pathfinder Group) has now grown to more than 50 individuals representing 23 trading parties. Expressions of interest to join the Code Advisory Group has now closed.

On 1 December a number of key draft documents were issued to the Pathfinder Group in line with our programme plan.

These include:

- ◆ The Code Subsidiary Document CSD0601
- ◆ The Interface Specification
- ◆ XSDs (i.e. the documents that define how trading parties will interface with the bilaterals hub)
- ◆ A proforma for Pathfinder Group members to carry out first system communications checks.

These documents will be shared more widely once we have had input and feedback from members of the Pathfinder Group.

We are also currently developing plans for how we will manage the 'cut over' between trading parties' current systems and the new MOSL portal (or system integration) and will be providing an update to trading parties at the first planning session in the New Year.

For more information on the Bilateral Transactions Programme visit our [dedicated project webpage](#).



## What is the Bilateral Transactions Programme?

The Bilateral Transactions Programme is working to improve the way wholesalers and retailers work together to serve customers.

We are working with trading parties to agree a consistent approach to two-way (bilateral) processes, from the verifying or replacing meters to disconnections.

Although there are 67 bilateral processes, the top eight account for around 80 per cent of the most important/ commonly used processes.

The transactions will be managed via a central bilaterals 'hub', which will be managed by MOSL.

This approach aims to make processes faster, simpler and more reliable – which will make it easier for trading parties to do business and, most importantly, provide a better experience for customers.

Find out more by watching this [short video](#).

## Market Improvement Requests for Information (RFIs)

This month, we have begun to publish the outputs from the various market improvement Requests for Information issued throughout November.

### Strategic Metering Review

This RFI focused on understanding trading party plans and programmes for metering and the implementation of new technology solutions. We were pleased with the comprehensive responses we received from wholesalers and retailers. A summary of the responses has been published on the News & Views page of our [website](#).

### Data Cleanse

The results from this RFI are currently being reviewed internally, and high-level outputs

will be shared on the MOSL website as soon as possible.

### New Connections

The RFI to seek trading party views on the current New Connections process launched yesterday, 10 December, and will run until the 12 January.

This RFI will be sent to trading party Contract Managers and Deputy Contract Managers. The results from the RFI will help inform a process improvement plan which will be shared with trading parties at the end of January.

### R-MeX

The Retailer Measure of Experience (R-MeX) survey asked retailers to rate how well wholesalers have performed on areas such as engagement, communication and data quality. The survey closed on 13 November 2020 and we received completed responses from 14 retailers reviewing 17 wholesalers.

Wholesalers were sent their individual results on Monday 7 December which they are encouraged to use to make appropriate improvements within their organisations.

An embargoed summary of R-MeX responses was also sent to Contract Managers yesterday, 9 December, and will be made publicly available on our website next week.



## Making changes: your change proposal update

### Panel Recommendations

#### [CPM033: 'DSRR process'](#)

This change proposal seeks to facilitate compliance with the obligations and timeframes set out in the GDPR and Data Protection Act 2018, in relation to Data Subject Rights Requests (DSRR) and seeks to improve the process for the handling and recording of such requests. The Panel voted to recommend this change for approval to Ofwat at its November meeting.

#### [CPM036: 'Provision to vary term of Panel Members'](#)

This change would allow Ofwat, at the request of the Panel, to grant amendments to the term of currently elected Panel members. The Panel voted to recommend this change for approval to Ofwat at its November meeting.

#### [CPW105: 'Provisions of Information Obligation'](#)

This change proposal seeks to address the Panel's involvement in the 'Provisions of Information' obligation in the Market Terms. The Panel voted to recommend this change for approval to Ofwat at its November meeting.

#### [CPW108: 'Agreement to Unplanned Settlement Runs'](#)

This change seeks to address the potential for a deadlock when agreement to an unplanned settlement run (USR) is requested. If the request is not responded to within 20 days, it will be deemed rejected and the requesting party may then escalate the issue to the Disputes Committee. An Urgent Panel Meeting was held on 2 December 2020 at which the Panel recommended this change to Ofwat for approval.

### Ofwat Decisions

#### [CPW061: 'Unsecured Credit Allowance reflecting payment history'](#)

This change introduces a new route for retailers looking to gain an Unsecured Credit Allowance (UCA) with their wholesalers based on payment performance. This change proposal, consultation, and the earlier recommendation report documents relate to the original version of CPW061 which was returned by Ofwat in September 2019. A proposed alternative solution to CPW061 was resubmitted to Ofwat on 1 April 2020.

Rejected: 27 November 2020

#### [CPW086: 'Unsecured Credit Allowance – Rebalancing'](#)

This change seeks to increase the Unsecured Credit Allowance (UCA) for retailers with a credit assessment score of 10 in the Wholesale Retail Code (WRC) business terms from 20 per cent to 40 per cent.

Rejected: 27 November 2020

#### [CPW088 - Ability for wholesalers and retailers to add Meter Location Data, and GIS X/Y details](#)

This change proposed to allow both to update meter location data, as well as the GIS X/Y details in CMOS.

Rejected: 7 December 2020

## MOSL responds to Government National Data Strategy

On Wednesday 9 December, MOSL published its [response to the government's National Data Strategy](#). Given the significant changes of recent years, the government is consulting across all sectors on its [National Data Strategy](#).

We have responded to this consultation to ensure the issues we face as a market operator, along with trading parties who operate in the water retail market, are considered. Whilst there are a number of issues which will cut across all sectors following the UK's withdrawal from the EU - such

as the need for a clear, simple and unambiguous data protection regime - there are equally issues that are fundamental for MOSL and our members.

Our open response includes our views on the significant environmental challenges faced

by the industry, the proposal to extend the 'open data' policy and importance of data security.

We welcome feedback from our members and the wider market. Read our full response document [here](#).



## MOSL develops its stakeholder map

As part of our focus on driving value across the market, we're undertaking a stakeholder mapping exercise to better understand the market landscape and the full remit of MOSL and industry groups.

By having a holistic view of the various stakeholder groups across the market and wider sector, we can better understand how they interlink and the role that MOSL can play in driving improvements.

This work also seeks to identify the focus areas for each group or forum, where efforts might be being duplicated or where efficiencies can be found, for example, by reducing the number

of forums and sub-groups. This will also provide clear view of groups' outputs to support the scope and focus of the newly established Strategic User Forum.

To date, we have engaged with the MOSL Board and a number of key external stakeholders to ensure we develop a comprehensive market map. This project will continue into 2021 and we will look to share outputs

with members following a 'deep dive' session at February's Board meeting.

Our ultimate objective is to provide an informed, up-to-date and interactive stakeholder map to give all stakeholders a clear view of how we can better progress improvement activities across the market without duplication and with a clear view of how work moves from



strategic direction (i.e. Strategic User Forum) to action (i.e. Retailer Wholesaler Group (RWG)).

## Diary dates

Here are some key events coming up over the next month.



15 Dec  
15 Dec  
17 Dec  
17 Dec

[Panel Meeting 50](#)  
[ORWG](#)  
[Bilaterals OAG](#)  
[Business Plan webinar](#)

18 Dec  
18 Dec  
7 Jan

[Trading Disputes Committee](#)  
[Strategic User Forum](#)  
Business Plan consultation begins

## MOSL on the 'move'



### MEUC Winter Policy Group

On 9 December, MOSL CIO, John Davies, presented an update on our Strategic Metering Review to business customers at the [MEUC Winter Policy Group water webinar](#).

During the session, John outlined the scope and objectives of the review, which includes workstreams such as asset and data ownership; responsibilities and accountabilities; incentives and disincentives and technology.

Following the presentation, John facilitated a discussion to better understand how poor quality data impacts customers. This feedback

will inform the review as we continue to develop the scope and deliverables as part of our three-year business planning.



### Channel Management webinars

MOSL will present an update on the MOSL website design and introduce the requirements for a stakeholder beta group in January.

If you are interested in joining the beta group please email [comms@mosl.co.uk](mailto:comms@mosl.co.uk). Further information will be sent to all subscribers of 'MOSL news and updates' in the coming weeks.



### CCW Business Meeting

Following on from the success of last month's business customer focus group, CCW invited MOSL and Ofwat to attend a ['Business Customer Listening Event'](#) on 9 December.

The session provided business customers the opportunity to share their experiences of the water retail market directly with MOSL and the regulator. MOSL CEO, Sarah McMath, and Head of Corporate Affairs and Communications, Lyvia Nabarro attended.



### Business Plan webinar

On 17 December, MOSL will be hosting a short [webinar](#) with trading party members, outlining the proposed phasing and optionality of our three-year business plan.

The webinar will set out our key improvement programmes for the next three-years and how these will be delivered over the plan's lifespan. It will also provide more information on year one deliverables and costs. MOSL will be publishing the business plan for member consultation on 7 January 2021.

## News in brief

### RWG Good Practice Guides

Following revisions by the Retailer Wholesaler (RWG) Policy Group, MOSL has published updated versions of the following [Good Practice Guides](#) on our website:

- ◆ Data Logging
- ◆ Leak Allowances
- ◆ Return to Sewer Allowances

Customer versions of the Leak Allowances and Return to Sewer Allowances guides can also be found on the CCW website.



### Market Governance Review

MOSL would like to thank everyone who responded to the Market Governance Review which closed on 20 November. Satori Board Review, the independent consultants appointed to carry out this review on behalf of MOSL, will now review the responses and will present its initial findings to the MOSL Board next week. We will share a summary of the responses and recommendations early in the New Year.

We welcome your comments and suggestions on the content of the monthly Market Focus update. Please email the [MOSL Communications Inbox](#) with any feedback.