

market focus



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

Look back at Sarah's first year at MOSL

This month marks our CEO, Sarah McMath's, first year with MOSL. As part of our thought leadership blog series, Sarah has written about her reflections of joining MOSL, expectations of the market operator and the market and what changes she would like to see in 2020/21 and beyond.

Sarah said, "Reflecting on my first year at MOSL, I have been encouraged by the increased levels of engagement and collaboration we have seen across the market.

I joined MOSL knowing there would be challenges. We have already seen progress in some areas and myself and my team have been working hard over the past 12 months to really improve and embed MOSL's own internal processes to make us more efficient as a market operator.

Moving into my second year, I am keen for us to extend these efficiencies to our members through the services we provide and really understand where the value is in the market. This includes developing our data insight to tackle some of the most inherent market issues to drive better customer outcomes."

Sarah's full blog will be on LinkedIn and our News and Views page next week.



Steve Formoy appointed as permanent Finance Director

Last week we welcomed our new Finance Director Steve Formoy.

Steve has over 20 years' finance experience, including 15 years at PwC and five years at Thames Water. He operated at a director level at PwC within Audit and Assurance, before moving to Thames Water in 2014, where he carried out several divisional Finance Director roles, notably Group Financial Controller. His responsibilities included heading up their Wholesale Market Services unit, delivering interface services between Thames Water and the non-household retail market, through the first year of operation.

In his second week at MOSL we asked Steve his views on taking on this new challenge.

What do you believe to be the biggest challenge facing the water retail market now?

"I think clearly in the short to medium term, COVID-19 presents some major challenges, for example liquidity pressures on retailers, the challenge of not being able to read meters, many more business properties being temporarily vacant and the risk of higher bad debt costs for the market. As we've seen already, dealing with this requires lots of collaboration, quick decisions and other changes in how the market operates. Clearly MOSL has an important part to play in helping the market navigate through this."

What other challenges are you looking forward to tackle, aside from COVID-19?

"I think one of the challenges that stands out is around data. The current quality of data is not where it needs to be - it hinders the ability of the market to work smoothly. It is therefore in everyone's interest to improve data quality, as it reduces time and cost for all the trading parties, and ultimately helps improve the service for customers."

What are you most looking forward to in your new role?

"I've not been long in post as I write this, but already the thing that has struck me from everyone I've met (even though it's all online) is the enthusiasm and energy of everyone I speak to in MOSL. People talk about 'being a MOSLer' and I can already see how that really means something in terms of the culture here. So, I'm really looking forward to being a part of that."

Steve takes on the role from Andrew Stoneman, who joined MOSL as Interim Finance Director in July last year.

In welcoming Steve, Sarah McMath said: "I am confident that Steve's experience in strategic planning and developing and motivating high performing teams will be a huge asset to MOSL, particularly as we begin the detailed

work on our strategy and three-year business planning.

I would also like to take this opportunity to thank Andrew Stoneman for his continued hard work and dedication over the past year. Andrew joined MOSL's Senior Leadership Team as Interim Finance Director last summer and has worked tirelessly to improve our company secretariat capability; strengthen our financial controls and provide comprehensive monthly management reports. He has become a trusted member of our team, and I know his expertise has been greatly valued as we supported the delivery of a number of key urgent changes during COVID-19."



Steve Formoy

Bilaterals transactions programme reaches major milestone

The Bilateral Transactions Programme reached a major milestone in May with the approval of the Outline Business Case (OBC) by the MOSL Board. Work has now begun on the development of the Full Business Case, which is due to be completed in September 2020 as part of the planning phase.

For those not familiar with the term ‘bilateral processes’ the aim of the programme is to improve the speed and quality of service that customers experience by working with trading parties to standardise the most frequently used inter-company processes.

As outlined in our recent bi-monthly update to Ofwat and trading parties, the Bilaterals Programme is making good progress. You can [read the latest summary update to Ofwat here](#).

As sponsor of the programme, MOSL CEO, Sarah McMath, was also interviewed as part of a special bilaterals feature for [The Water Report](#) in May.

In the interview, Sarah talks about how we consider improving bilateral processes key to our objective to make the market “easier to do business in”. Referring to the programme as “unfinished business”, she explains how MOSL is doing things

differently this time, from CEO-level sponsorship to increasing the resource and focus on the programme.

In terms of the business case, the OBC concludes that the justification for the Bilateral Transactions Programme has strengthened since the initial ‘Strategic Outline Case’.

MOSL has identified 24 potential benefits for the programme. Of these, 13 represent quantifiable cost and efficiency savings with a potential value of between £0.7m and £1.7m per year across the industry, with the OBC based on a conservative mid-case scenario of £1.2m per year.

A further nine potentially significant benefits have also been identified in relation to market improvements, for example, in terms of market efficiency and reducing barriers to entry.

Although not quantifiable in financial terms, it is important



“This programme has the potential to save the industry between £700,000 to £1.7m each year.”

that they are recognised when considering the programme benefits.

MOSL currently estimates that the development of a technical solution and ongoing maintenance will require funding of between £2.0m and £3.2m over five years, excluding trading parties’ own costs, however, these numbers are for guidance at this stage.

As an industry-wide programme, trading parties’ involvement and engagement

will be key to its success, whether it’s responding to requests for data or testing and challenging proposals as a member of one of our advisory groups.

We will issue regular updates on the programme via our usual channels, including *Market Focus*. You can register to receive further information by [subscribing to our mailing list\(s\)](#).

If you have any questions on the programme, please [email the Bilaterals Inbox](#).



COVID-19 collaboration

MOSL has been working closely with Ofwat and the Panel in recent months to respond to the ongoing COVID-19 pandemic, by supporting efforts to improve resilience and liquidity in the market during these unprecedented times.

We have witnessed the water retail market come together and step up its efforts to ensure that urgent code changes were progressed quickly to provide support to market participants and their customers. We recognise, however, that this collaboration is not limited to MOSL or the water retail market and is evident across all utilities sectors.

We have been encouraged by the increasing collaboration we have seen across industry. In next month’s *Market Focus*, we will be highlighting examples of collaboration and best practice we have seen across teams and organisations. We would like to hear your stories of collaboration and innovation during COVID-19. Please send your stories to the [Communications Inbox](#).

CMOS transactions (all interactions by trading parties e.g. switches, meter readings, etc)

May
total was
1,910,393

from the 1,910,393 total, approx.

27% = trading parties

73% = system-automated transactions

MOSL progresses plans to split role of Panel Chair and MOSL Board Chair

At the beginning of February 2020, Jim Keohane, Chair of the MOSL Board announced his decision to MOSL colleagues and water company CEOs to step down from his role of Chairman at the end of his three-year tenure in August 2020.

Prior to commencing the recruitment of a new Chair, and as part of the Governance commitments outlined in our 2020/21 Business Plan, we have taken this opportunity to review the current Chair role. This has been undertaken in line with the market codes and the Board effectiveness review which MOSL undertook during the final quarter of 2019/20.

The market rules currently require that the MOSL Board Chair is also the Panel Chair. However, while the individual appointed to these roles is the same (under current rules), the roles themselves are distinct.

As such, we believe that enhanced clarity between roles and operation of MOSL and the Panel may be afforded if the Chair of the MOSL Board and the industry Panel were different people.

Following discussions with the Board and the Panel, MOSL has proposed that the Chair roles should be split. This proposed change to the Market Arrangements Code (MAC) is outlined

in change proposal [CPM026: 'Panel Chair and Alternate'](#). This change request was raised in April following initial discussions with the Panel in February and March. The Panel will look to recommend CPM026 to Ofwat as its June meeting.

In parallel, we have been progressing with the recruitment of both Chair roles. The MOSL Board is progressing with the recruitment of a new MOSL Chair, and the Panel has established a Panel Chair Nomination Sub-group to manage the recruitment of the Panel Chair in line with the proposed code change.

We believe creating two Chair roles that are independent of each other will remove any potential conflict of interest where the Panel is asked to make decisions which may impact on MOSL and vice versa; and enable greater efficiency in market governance.

MOSL's Chair, Jim Keohane, said of the change: "It's been a privilege to be part of the market's journey to-date and as we continue to drive



Jim Keohane

improvements to the market and MOSL's own governance arrangements. The proposed split in Chair roles is just one of the steps we are taking to ensure the governance of the market is robust and fit for the future."



John Davies

Creating a single 'front door' to MOSL

CATCH UP | Read MOSL's CIO, John Davies, blog on how the water retail market can learn from other industries to gain better insight from data and derive value from combining data sets. Outlining MOSL's 2020/21 Business Plan commitments, John describes the need to adopt a 'Single Front Door to the Market Place' through MOSL's technology roadmap and [Channel Management Strategy](#) and how the utilities sector can harness the power of data. Read John's blog and our other leadership blogs on [MOSL's News & Views page](#).

Career Opportunities

As outlined in our [2020/21 Business Plan](#), one of MOSL's commitments is building the capability of MOSL as a learning organisation and through our multi-year technology roadmap.

As part of our plan we will look to reduce the reliance of agency staff and contractors and increase our headcount of permanent employees to better enable us to deliver our services and commitments to the market.

We are currently recruiting the following roles:

- ◆ [Corporate Affairs Manager](#)
- ◆ [Senior Market Design Analyst](#)
- ◆ [Market Design Analyst](#)
- ◆ [Market Improvement Lead](#)
- ◆ [Secretariat Governance Manager](#)

To find out more, visit our [careers web page](#).



Diary dates

In case you missed it here's are some key dates for your diary

- 16 June [Operations and Release Working Group](#)
- 22 June [MPS and OPS Charts and Reports published](#)
- 24 June [Trading Disputes Committee, Market Performance Committee](#)
- 30 June [Panel Meeting](#)
- 16 July [User Forum](#)

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

MOSL's revised Market Services Framework

As part of our [2020/21 Business Plan](#), under the theme of Service Excellence, we committed to reviewing and updating MOSL's services, in order to provide greater clarity on how we measure and report our performance against them.

In recent months we have undertaken a review of our current suite of services to ensure they are a true reflection of those which we provide to our members and the market. This work has been informed by the feedback we received as part of the [Trading Party Survey](#) issued at the end of last year and from discussions during the CEO Forum in November.

As there is a clear connection between clarifying our services and improving how members access these services, we have been developing our revised service definitions in parallel to our [Channel Management Strategy](#) - another key commitment in our business plan.

These refreshed service definitions form part of our Market Services Framework, with a suite of 12 market services grouped into four core areas – Market Operation, Market Assurance, Market Improvement and Governance and Support Services.

With three years experience operating the market, these have been revised to better reflect the role MOSL plays in the market and the services we provide to our members

MOSL's Market Services Framework



and wider stakeholders. They also to take account of the role we play in the provision of key functions across the market in addition to the wider water sector, as we continue to develop our purpose and strategy.

For each of these services we have developed Key Performance Indicators (KPIs), which we will use to measure and report on our performance against them. The KPIs against these services for the first quarter of 2020/21

will be shared with trading parties in July and made publicly available on our website. We will also look to use these services as part of the next annual Trading Party Survey later in the year.

We forward to hearing feedback from trading parties on these services and KPIs and engaging with you on the first stages of our channel strategy work in due course.

MOSL on the 'move'

This month the sector has continued to operate remotely, with many industry events being conducted virtually. Here is where you will find MOSL's team:



Young Professionals Webinar

On 22 June, MOSL will be taking part in the Young Professionals Webinar hosted by Indepen and The Water Report. Market Analyst, Alex Piper, will join 30 other future water leaders to share their views on the future direction of the industry and initial perspectives on where

water is in terms of social value and their role in driving the agenda.

The introductory webinar will be chaired by Karma Loveday, with speakers including CEO of Ofwat, Rachel Fletcher, outgoing CEO of Energy & Utility Skills, Nick Ellins, and Deputy Chair of the International Water Association's Young Water Professional's group, Matthew Whaley.



Waterwise Digital Conference

Following the postponement of the Waterwise Climate Emergency Conference in March, we are delighted that the conference is now taking place as a digital conference in July.

MOSL CEO, Sarah McMath, will be joining industry leaders

from across the water industry to look at the impact of the climate emergency and the importance of water efficiency and water saving to build a sustainable future for customers and the environment in which they live. Sarah will be joining the 'Homes and Businesses' Panel webinar on Wednesday 15 July at 10.30am. We are looking forward to listening to the live sessions throughout the week, 13 – 17 July.



Market Operator Services Limited

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Making changes: your change proposal update

Urgent Authority Decisions and Implementations

[CPM023/CPW098: 'Extending the Suspension of Market and Operational Performance Standard Charges due to COVID-19'](#)

This change extends the suspension of Market Performance Standard (MPS) and Operational Performance Standard (OPS) charges to include June and July 2020, or any other period as notified by Ofwat. This change was first introduced in March to cover the period up until 31 May 2020 and aims to relieve market pressure by not unfairly penalising trading parties for failing to meet market performance standards due to factors outside of their direct control.

Implementation date: 1 June

Authority Decisions

[CPM025/CPW097: 'Suspension of Market Performance Charges following an interim supply event'](#)

This change seeks to suspend Market Performance Charges associated with re-allocated supply points for three months. This change was proposed following feedback from trading parties that retailers were reluctant to opt in to Interim Supply Events due to the charges they might incur from reallocated supply points.

Decision expected: 1 July

[CPW087: 'Ability for Wholesalers to add meter reads'](#)

This change aims to improve the quality and quantity of meter reads in settlement. It proposes that wholesalers be able to upload meter reads obtained from their own processes into CMOS. However, these reads would not affect settlement unless the retailer chooses to use them.

Decision expected: 1 July

[CPW080: 'Simplification of the Default and Termination Process'](#)

This change has been raised by the Credit Committee in response to KPMG's review of credit arrangements in 2018. It seeks to simplify the process for default and termination for wholesalers and retailers.

Implementation date: 5 August

Consultations in Progress

[CPW075: 'Settlement Estimation'](#)

This change seeks to improve the accuracy of volume estimation in the Central Market Operating System (CMOS). There are currently two solutions being tabled by the Panel sub-group, these include:

- ◆ An automated approach which proposes that CMOS excludes estimated reads from the volume estimation routine
- ◆ A manual approach where trading parties input a read into a meter's reading profile that 're-bases' future estimation.

Consultation period: 8 - 29 June 2020

For more information on change proposals visit the [Change Register page](#) on our website.

News in brief



User Forum

Last month over 70 people joined our first live Virtual User Forum. The session included a discussion on the 2019/20 Annual Market Performance Report (AMPR), the upcoming 2020/21 Market Performance Operating Plan (MPOP) and the Strategic Metering Review.

If you missed it, or would like to remind yourself of what was discussed you can find the slides and the recording of the webinar on the [Events page of the MOSL website](#). The next User Forum will take place on 16 July and will continue to be a live virtual meeting. The agenda includes an update on the Bilateral Transactions Programme, COVID-19 reporting guidance and the Retailer Wholesaler Group (RWG) will also provide a progress update. The full agenda and registration details will be posted in advance.

Annual General Meeting

At the end of June MOSL will be publishing its annual statutory accounts. Following approval of the 2019/20 report and accounts on 24 June, this year we will be holding our Annual General Meeting (AGM) in July. In addition to resolutions on the accounts and the appointment of MOSL's auditors, the AGM will include an additional resolutions required to enact the first phase of our governance improvements.

By holding the AGM in July, we are keen to use the meeting as an important mid-year engagement with our members following the CEO Forum in November 2019. It is an opportunity for us to follow up with the discussion at the CEO Forum and outline progress against our commitments and the development of MOSL's strategy. We will look to hold this as a virtual meeting and will be sending member Chief Executives more information on the proposed governance changes and meeting date in due course.

Bristol Water MOSL Masterclass

On 25 June, we are looking forward to welcoming Simon Bennett from Bristol to deliver our next MOSL Masterclass. Due to current travel restrictions and social distancing measures, this Masterclass will be delivered online to the MOSL team.

If your organisation would like to deliver a MOSL Masterclass, please contact your MOSL Portfolio Manager.