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Dear Sarah

### **Panel Response to MOSL 2021/22 Draft Business Plan**

The Panel thanks MOSL for the opportunity to comment on the MOSL 2021/22 Draft Business Plan which will be instrumental in delivering against the Panel's priority areas of focus.

The Panel agrees that development of the plan has been thorough and has taken account of the Panel's priorities. Panel Members have greatly appreciated the full and early discussions on the draft plan afforded through the presentation at the October Panel meeting and the deep dive into the draft plan at the Panel's November workshop.

Overall the Panel is supportive of MOSL's business plan for 2021/22. The Panel acknowledges that activities and projects may span multiple years and it welcomes the move to present a plan with a three-year planning horizon.

Panel Members acknowledge the challenging economic environment in which the industry is operating and the ongoing challenges faced by trading parties and their customers in light of the ongoing global pandemic. Nevertheless, the Panel believes there may be opportunities to accelerate delivery against priorities where there is a business case for such work to be brought forward. The Panel encourages MOSL to identify these and it challenges trading parties to support delivery sooner, rather than later where possible, recognising that this may lead to additional costs in the short-term.

The Panel would like to make the following specific comments in relation to the questions raised.

#### **Q1 - Overall MO charges: Is the Panel supportive of the overall level of MO charges proposed for 21/22?**

The Panel welcomes MOSL's drive for efficiency and that it has reduced the cost of delivering core services as well as phasing the improvement plan to reduce the cost impact in year one. Panel Members recognise that this has enabled a reduction in Market Operator charges of 1.1% for 21/22.



In particular, Panel Members welcome the reduction in base costs, acknowledging that this has been driven by a move away from day-rate contractors to permanent resource as well as an enduring commitment to efficiencies arising from the move to on-line working and meetings.

The Panel asks that these efficiency gains are used to the benefit of the market and customers as a whole.

**Q2 - Key panel related workstreams: Does the Panel have any proposed changes in respect of these workstreams – in respect of scope, budget or phasing?**

The Panel supports alignment and integration of its priorities in the MOSL business plan wherever possible to facilitate efficiency. The Panel also feels that, as an independent body, there remains potential for differences between MOSL's business plan and the Panel's preferred priority areas of focus. As such, Panel Members believe that clear separation between the Panel's priorities and the MOSL business plan should be maintained.

The Panel welcomes the clarity in the business plan regarding market improvement activity. In particular, that the Panel's priority areas of focus (as noted in the appendix to this response) have been taken into account in the business plan.

The Panel has reviewed the proposed phasing of work areas under each of these priorities and agrees that the plan provides a degree of balance in most areas between the need to drive the industry forward in the longer term while at the same time balancing the short-term immediate needs for improvement with the challenging economic environment. While recognising these current challenges, the Panel would encourage MOSL and its members to accelerate the pace of improvement for the benefit of customers wherever possible.

There are some aspects in relation to each focus area which the Panel would wish to highlight below.

- **Focus area: Efficient market governance and an effective (high performing) Panel that focuses on customer outcomes when assessing change.**

The Panel notes that this area of focus will be addressed by progressing the findings of the 2020/21 market governance review. Panel Members welcome this work and anticipate that this will include consideration of the market code principles that underpin the assessment of code changes. The Panel seeks assurance that sufficient flexibility is maintained in the business plan so that the findings of the governance review can be progressed with appropriate priority. Panel Members also expect that consideration will be given to developing metrics to track the performance of the Panel and a revised approach to undertaking benefits realization reviews following the implementation of changes to the market rules.

- **Focus area: Codes which are easily navigable and accessible to Trading Parties and easy for market entrants to understand.**

The Panel notes that this area of focus will be addressed by progressing the findings of the 2020/21 market code review. The Panel welcomes the indication that enhanced guidance will be provided over the

coming years and it is encouraged by the focus on simplification. However, Panel Members note that substantive re-structuring work would be subject to an appropriate business case being identified and this is not scheduled to commence until year 3 of the business plan. While the Panel recognises that substantive work is likely to incur additional cost, it would encourage MOSL to consider bringing this work forward wherever possible or, as a minimum, by dealing with a priority subset of improvements within this.

- **Focus area: Bilateral arrangements are consistent and efficient and no longer a cause of friction.**

The Panel notes that this area of focus will be addressed by the programme to develop a common bilateral interface. This is the subject of Authority Timetabled change proposal CPM070. Panel Members recognise the positive progress of this work over the last year and emphasise that the programme must continue to be efficiently managed in a transparent way, ensuring that Trading Parties are fully engaged and that work is underpinned by robust analysis. The Panel is encouraged by the way that MOSL has used efficiencies to accelerate the work on bilateral arrangements in 2020/21 and this is a further positive example of efficiency gains being used to the benefit of the market and customers. The Panel looks forward to considering appropriately considered code amendments as provided for by the timetable set out by Ofwat.

- **Focus area: Metering arrangements are efficient and effective and support robust market data and good customer outcomes.**

The Panel welcomes this area being called out as a priority in the MOSL business plan and that it will be addressed by progressing market improvements arising from the strategic review of metering.

- **Focus area: The performance framework drives efficient and effective outcomes for customers and processes create the right data to deliver benefits to the market and customers.**

The Panel welcomes the focus on work to promote and improve the delivery and maintenance of high-quality customer premises and asset data, provision of timely and robust consumption data and Covid-19 remediation activity. Panel Members support this work and note that it will rely on the continued and effective engagement with the Market Performance Committee through MOSL's market performance improvement plan. The Panel also supports the work to improve the market performance framework itself and the development of an integrated approach to market assurance where action can be prioritized via a strategic risk and opportunities register. Panel Members note that holistic review of the performance framework may require additional funds yet would encourage this work to be accelerated wherever possible.

- **Focus area: Market systems are robust, scalable and support ongoing evolution and efficient change in the market.**

The Panel welcomes the focus in planning for the future and supports the proposed work which will be delivered through MOSL's technology roadmap.



**Q3 - Panel related costs: Does the Panel propose any changes which would further enhance value for money and impact the proposed budget for 21/22?**

The Panel welcomes and supports the increased transparency of costs associated with governance and change. It is important that trading parties can see what they're paying for and that the context for indirect costs is clear. The Panel recognises its role in efficiency and in ensuring issues that need addressing are taken forward efficiently.

The Panel notes that the business plan for 21/22 includes £450k of costs directly related to running the Panel and associated committees and groups. These costs reflect continued efficiency benefits from running 80% of meetings remotely. The Panel agrees that this should reflect working practice going forward. Panel Members note that working practices may further evolve and this will depend on the findings of the market governance review. However, the Panel agrees that it is appropriate to plan on the basis that all other working practices will remain consistent pending the findings of this work.

Panel Members are mindful that the overall cost of the Panel includes indirect costs associated with the resource that trading parties and other organisations (e.g. CCW) provide in supporting market governance. This includes membership of the Panel, committees and groups as well as effort involved in considering market code changes. The Panel remains committed to working effectively to ensure that these governance mechanisms provide value for money.

As noted above in relation to its areas of focus, the Panel considers that there is merit in establishing clear measures of success for the Panel and its committees. Further, that more extensive use of post implementation reviews and/or benefits realisation reviews should be considered in relation to significant code changes or market improvement work.

**Q4 - Wider delivery programme: Does the Panel consider that there are any additional workstreams that should be added to the plan, or existing work streams where the phasing should be changed? If so, what are the drivers for the proposed change and what elements of the current plan do the panel think should be delayed/removed in order to fund any additional activity and ensure it remains deliverable?**

The business plan sets out a three-year roadmap for improvement and delivery of 10 key workstreams. The Panel supports these workstreams and has not identified any re-prioritisation other than those elements noted above in relation to code simplification and market assurance.

In addition, the Panel understands the benefits from MOSL looking to bring elements of the trading party compliance audit activity in-house. The Panel is keen that an appropriate balance is struck between use of third-party auditors and MOSL audit resource and that the market audit must continue to provide for the robust, risk-based audit of MOSL, settlement and trading party compliance. It is supportive of retaining an



element of flexibility in the market audit scope within the year, noting the benefits this has brought regarding Covid-related work undertaken by the Market auditor and MOSL.

Panel Members would welcome clarity in relation to the future development of the market audit and how this service will be delivered across the three-year plan. In particular, whether there are options for developing a settlement assurance approach which could utilise innovative analytics and avoid re-build of the CMOS settlement engine.

Panel Members also welcome the continued focus on data insight to drive improvement. The Panel believes that a particular focus should be placed on how this data and insight can be used to ensure that the market supports, and does not hinder, water efficiency measures.

While the Panel has not identified any specific additional workstreams, the past year has seen challenges arising from Covid-19 which could not have been foreseen prior to the start of the year. All companies, including MOSL and the Panel have had to flex to meet these challenges and changing priorities. The Panel strongly endorses flexibility in the business plan such that MOSL is able to adapt to changing market needs in the future.

**Trisha McAuley OBE**  
**Chair of the Panel**



## **Appendix – Panel Priorities**

### **Priorities**

The Panel's priorities in relation to market outcomes remain consistent with previous years and can be outlined under five main headings:

- A. **Customer led benefits:** The market rules should support competition and genuine innovation and allow different business models exist to drive benefits to customers. Customers should have a positive experience of the market and the market rules should enable Retailers to deliver the services that customers want and need. Data should be available to help drive innovation.
- B. **Efficiency and Effectiveness:** The market should be efficient and effective. Market systems (including CMOS) should be fit for purpose, i.e. they should be scalable and responsive to change. Water should be used efficiently and the market should support, and not hinder, water efficiency measures. Identified market frictions should be removed such that the market is delivering for the customer. In particular:
  - Bilateral arrangements are consistent and efficient and no longer a cause of friction.
  - Processes create the right data to deliver benefits to the market and customers.
  - The performance framework drives efficient and effective outcomes for customers.
- C. **Resilience:** Market systems (including CMOS) should be fit for purpose, i.e. they should be resilient and scalable. The market itself should be resilient to major events.
- D. **Simplicity and Accessibility:** The market rules should be proportionate. The market codes should be easily navigable and accessible to Trading Parties and be easy for market entrants to understand.
- E. **Good governance and working practice:** The industry can self-govern and there is minimal threat of regulatory intervention. The Panel works optimally and effectively (high performing Panel).

### **Focus Areas**

To deliver against these priorities the Panel supports the following areas of focus:

- Efficient market governance and an effective Panel that focuses on customer outcomes when assessing change.
- Codes which are easily navigable and accessible to Trading Parties and easy for market entrants to understand.
- Bilateral arrangements that are consistent and efficient and no longer a cause of friction.
- Metering arrangements that are efficient and effective and support robust market data and good customer outcomes.
- A performance framework that drives efficient and effective outcomes for customers and processes create the right data to deliver benefits to the market and customers.
- Market systems which are robust, scalable and support ongoing evolution and efficient change in the market.