User Forum

17 October 2019

MOSL

MARKET OPERATOR SERVICES LTD

Agenda

Item *	Description	Who	Time
	Registration Tea and coffee on arrival	Trading parties	09:30 - 10:00
	Live video streaming starts*		10:00
1	Welcome and housekeeping	Steve Arthur	10:00 – 10:10
2	MPOP Progress update	Performance and Operations	10:10 – 11:00
3	• Market Design update • TEIC update	Market Design Patti Quintana	11:00 – 11:15 11:15 – 11:45
4	Coffee break		11:45 – 12:00
5	OPS developments • IPRPs • Publication of charts • Peer Comparison League Table update	Sam Webb	12:00 – 12:30

Agenda

Item *	Description	Who	Time
6	Bilaterals update	Chris Poulton / Fiona Murray	12:30 – 13:15
7	Lunch		13:15 – 14:00
8	R-MEX update	Gerard Lyden	14:00 – 14:30
9	Corporate Affairs update: Trading party engagement	Lyv Nabarro	14:30 – 14:50
10	Initial Feedback on MPF Redistribution Consultation	Nigel Sisman	14:50 – 15:15
11	Round up and close	Steve Arthur	15:15 – 15:30

*** Please note: Agenda items will be videoed and streamed live. Streaming will end at 15:30.**

Welcome

Steve Arthur, Market Performance Director

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AGM Voting

- ORDINARY RESOLUTIONS
  - To receive and adopt the Directors' Report and Financial Statements, and the Auditor's Report thereon, for the financial year ended 31 March 2019.
  - To reappoint BDO LLP as the Company's auditor until the conclusion of the next Annual General Meeting of the Company.
  - To authorise the Audit Committee to agree the auditor's remuneration.

- SPECIAL RESOLUTION
- To amend article 5.3 of the Company's articles of association to read as follows: "The board of directors of the company shall propose at least 28 days prior to the beginning of each financial year an annual budget of expenditure required for the running of the company which shall be put before the members for decision by a special resolution in accordance with article 39.

MPOP 2019/20 Progress update

Rob Curry / Andrew Welborn

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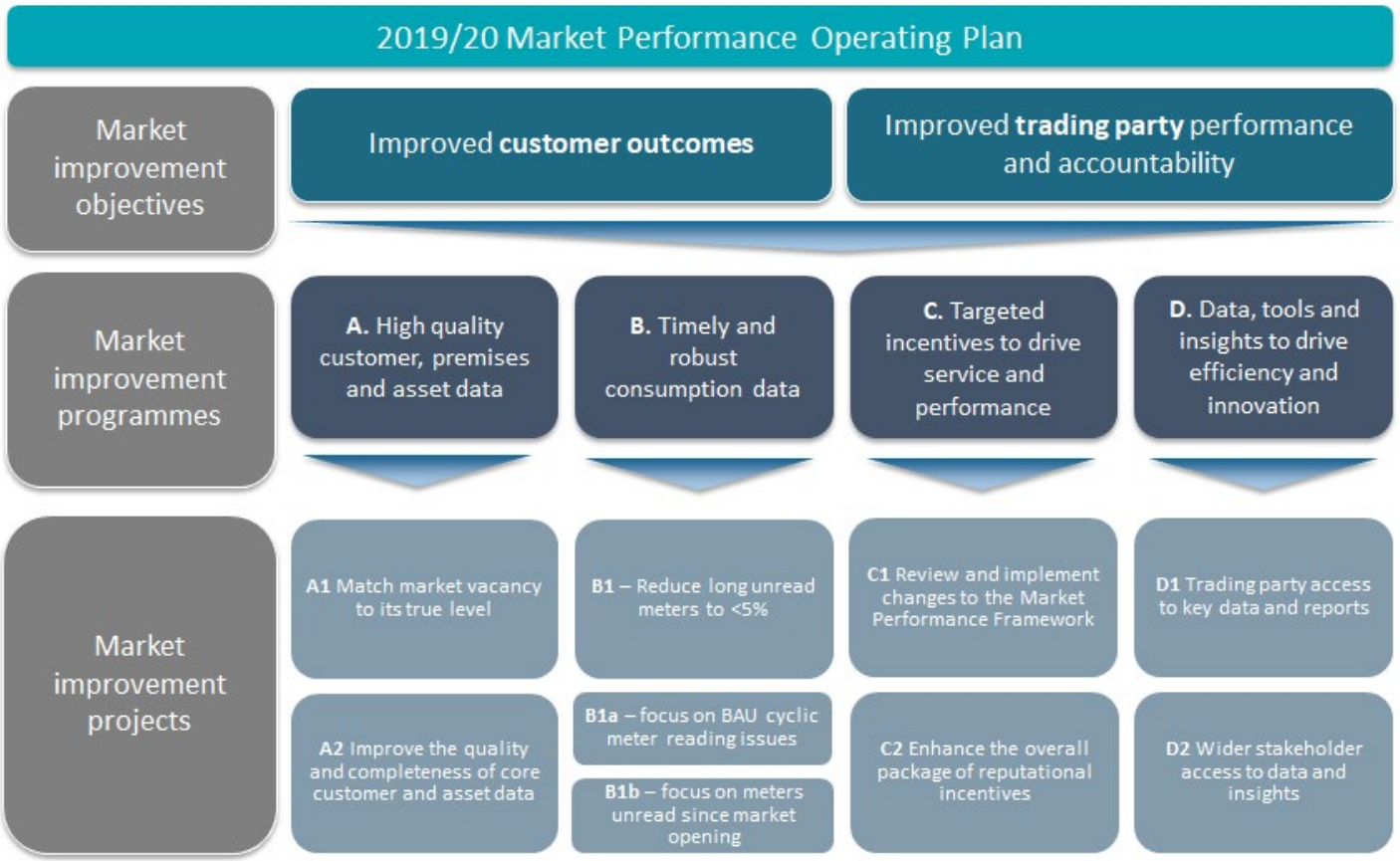
Overview


2019/20 Market Performance Operating Plan
Market improvement objectives
Improved customer outcomes
Improved trading party performance and accountability
Market improvement programmes
A. High quality customer, premises and asset data
B. Timely and robust consumption data
C. Targeted incentives to drive service and performance
D. Data, tools and insights to drive efficiency and innovation
Market improvement projects
A1 Match market vacancy to its true level
B1 – Reduce long unread meters to <5%
C1 Review and implement changes to the Market Performance Framework
D1 Trading party access to key data and reports
A2 Improve the quality and completeness of core customer and asset data
B1a – focus on BAU cyclic meter reading issues
B1b – focus on meters unread since market opening
C2 Enhance the overall package of reputational incentives
D2 Wider stakeholder access to data and insights

Appendix: October 2019 MPOP Reporting

HEADLINE MESSAGES:

- Additional reporting provisionally agreed by Vacancy working group to target areas for investigation via cyclical reporting
- MOSL facilitating collaboration sessions with R-W pairings to develop joint improvement plans for both Long Unread Meters and Vacancy
- Visioning sessions for 3-year MPF roadmap held in collaboration with Economic Insight and Industry representation; roadmap to progress through MPC and Panel in November, prior to Ofwat submission in December
- MPF redistribution change has completed consultation and gate-1 panel review; recommendation report to be presented in October panel
- Suite of priority changes currently progressing through Panel to refine MPF, including suspension of MPS 15 from Nov.

A. High quality customer, premise and asset data

KEY UPDATES:

- Number of vacant premises stagnating month-on-month and increasing overall since last year-end
- Review of occupancy status needs to be prioritised to bring this to a more realistic figure

KEY MARKET-LEVEL INDICATORS:

Metric	Sep	vs. 18/19 year end
% premises vacant	17.7%	↑ 0.7%

B. Timely and robust consumption data

KEY UPDATES:

- Good progress observed in reduction of pre-market long unread meters
- Meters > 1 year old are slowly increasing and also require dedicated attention

KEY MARKET-LEVEL INDICATORS:

Metric	Sep	vs. 18/19 year end
% meters unread 12m+	14.9%	↑ 0.5%
# meters unread since market opening	38,470	↓ 15,000 (-28.1%)

C. Targeted incentives to drive service and performance

KEY UPDATES:

- MPS 15 change to go live on 1 Nov
- Proposals for MPS 3, 18, 19 and cap being refined
- MPS redistribution (CPM008+) completed consultation; to be considered at October Panel

KEY MARKET-LEVEL INDICATORS:

Metric	August	vs. April
WS MPS performance	85.6%	↓ 0.6%
RET MPS performance	81.5%	↑ 2.2%
WS OPS performance*	87.98%	↓ 2.88%

** Excludes OPSG4a/b – performance including G4 is 86.1% (September), 92.8% (August), 94.8% (July)*

D. Data, tools and insights to drive efficiency and innovation

KEY UPDATES:

- High level activity ongoing to identify any 'quick wins' or tactical improvements to be made to data availability and reporting.
- Trading party input to be sought via a survey

KEY MARKET-LEVEL INDICATORS:

Metric	Current month	vs.
n/a	n/a	n/a

Programme A: Vacancy

- Face-to-face working together session held on 3 October
  - Insight from Scottish market and RWG
  - Presentation of enduring management information for monthly reporting
  - Discussion of existing pain points and best practice for establishing premise occupancy
  - Consideration of third-party sources to compare vacancy rates
  - Trade-off of short-term approaches to address backlog versus process redesign to establish new enduring process.
- MOSL to host facilitation workshops with retail-wholesale pairs to build jointly owned resolution plans
- New cyclical reporting to be launched in Q3 to focus resolution of on-going activity
- ONS contacted to support definition of benchmark vacancy rate by geographical area
- Interim process redesign to precede longer-term code and CMOS changes.

Programme B: Long Unread Meters

- Facilitation workshops with retail-wholesale pairs to build jointly owned resolution plans now in flight
- Proposed new reporting shared with skip-code working group for feedback, with view to launching in Q3
- MPS 15 change will take effect from 1 November to remove financial disincentives to submit late meter reads – allowing for a backlog of reads to be submitted to CMOS
- Skip-code data previously shared by trading parties has been developed into a proposed set of standardised values that are aligned to downstream resolution activity – this will be made available as guidance in short term, with a view to potential longer term code and system change
- Read-rejections group have met and are now outlining the specific challenges experienced with both CMOS and local-system validation
- Resolution activity will focus on both interim workarounds and longer-term code changes.

Programme C: Roadmap

Redistribution and retention

- Consultation with market is now complete and being collated into a recommendation report to be approved by MPC and to be considered in October Panel for recommendation
- Authority decision targeted for end of January, with implementation from start of 2020/21 financial year

Priority changes

- Change to reduce MPS 15 charges to zero will be implemented from 1 November 2019
- Suite of change to MPS 3, 18, 19 and the cap developed into change proposal, with view to consult in first two weeks of November
- Panel recommendation targeted for December Panel

Roadmap

- Second visioning workshop on 14 October
- Roadmap to be presented to MPC and Panel in November, with view to Ofwat submission in December

Market Design update

Chris Dawson, Market Design Lead

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Solution Design

- CPM006 – Introducing a process for Urgent Change Proposals
- CPM015 & CPW071 – Panel Self-Governance
- CPM017 & CPW068 – Market Incident Management Plan Committee Revisions
- CPM019 - GDPR Data Security Standards
- CPW061 - Unsecured Credit Allowance reflecting payment history
- CPW070 - Bilaterals Governance

Solution Design

- CPW074 - Introduction of a Retailer SLA in relation to submission of trade effluent market forms to Wholesalers
- CPW075 - Settlement Estimation - Remove estimated meter readings when forward estimating
- CPW076 - Change to the current KPI for CSD002 OPS Measure C1a
- CPW077 - Indicator on Trade Effluent strengths
- CPW078 - Priority Performance Regime Changes for April 2020
- CPW079 - Protections for Credit Support Security

Consultation

- Currently in Consultation
  - There are no changes currently in consultation
- Upcoming Consultations
- CPW076 - Change to the current KPI for CSD002 OPS Measure C1a
- CPW078 - Priority Performance Regime Changes for April 2020
- CPW079 - Protections for Credit Support Security

Awaiting Panel Recommendation

- CPM018 – Treatment of MPS and OPS charges
- CPW069 - Right of a Retailer to appoint an Accredited Entity to repair or replace a faulty meter

Awaiting Authority Decision

- CPW059 - Changes to Review Obligations
- CPW064 - Changes to Corrective Settlement Run for individual Supply Points
- CPW066 – Estimation Review
- CPW067 - Bulk submissions of Service Requests via MS Excel

Authority Decision Received

- CPM013 – Adding the Customer as a Voting Panel Member – Approved
- CPW057 - Credit Proposal 1B: Improving the Transparency of Guarantee Credit Arrangements – Approved
- CPW060 - Credit Proposal 4: Amendments to the provision of credit assessment score evaluation for the purposes of unsecured credit allowance – Approved
- CPW062 – Household Indicator Flag – Rejected
- CPW072 – Setting MPS15 Charges to Zero - Approved

Release Schedule

01-Nov-19	Code
Ref	System
CPW072	N

08-Nov-19	CMOS
Ref	System
CPW056	Y
CPW059	N
CPW066-A	N
CPW067	N

10-Dec-19	SA
Ref	System
CPW079	N

14-Feb-20	Code
Ref	System
CPW064	N
CPW069	N
CPW073	N

31-Mar-20	SA
Ref	System
CPW066-P	Y

01-Apr-20	CMOS
Ref	System
CPM015	N
CPM018	N
CPW071	N
CPW078	N

15-May-20	CMOS
Ref	System
CPM006	N
CPM019	N
CPW065	Y
CPW068	N
CPW074	N

Approved
In Progress

TEIC update

Patti Quintana, Industrial Waste Services Manager,
Southern Water

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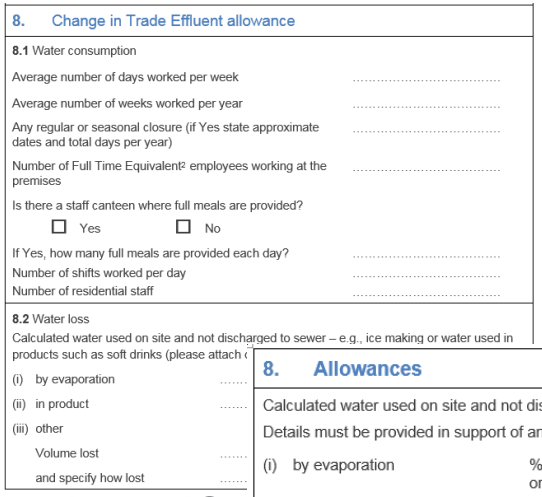
H1 Form improvements



8. Change in Trade Effluent allowance

8.1 Water consumption

Average number of days worked per week .....

Average number of weeks worked per year .....

Any regular or seasonal closure (if Yes state approximate dates and total days per year) .....

Number of Full Time Equivalent² employees working at the premises .....

Is there a staff canteen where full meals are provided?

☐ Yes ☐ No

If Yes, how many full meals are provided each day? .....

Number of shifts worked per day .....

Number of residential staff .....

8.2 Water loss

Calculated water used on site and not discharged to sewer – e.g., ice making or water used in products such as soft drinks (please attach

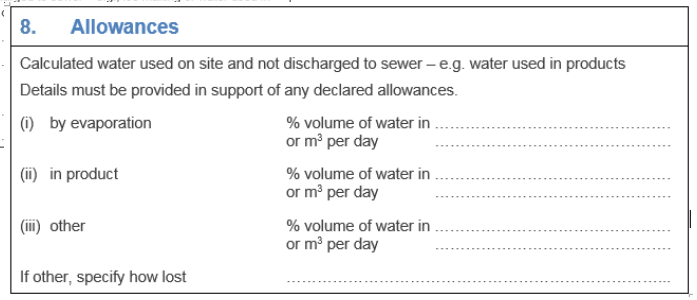
(i) by evaporation .....

(ii) in product .....

(iii) other

Volume lost .....

and specify how lost .....



8. Allowances

Calculated water used on site and not discharged to sewer – e.g. water used in products

Details must be provided in support of any declared allowances.

(i) by evaporation — % volume of water in ..... or m^3 per day .....

(ii) in product — % volume of water in ..... or m^3 per day .....

(iii) other — % volume of water in ..... or m^3 per day .....

If other, specify how lost .....

- TEIC - update Section 8
- Currently 15 pages – can this be reduced?
- Are there any sections that cause problems?
- Does it cover everything it needs?
- Where can improvements be made?
- NHH Customer impact?
- Forum for change?

H1 Form

- Supply Point details - e.g. is this all needed? Or just SPID and / or DPID?
- Reason for Request – are there any other allowances?
- Allowances….Is all info required? Is additional info needed? Question improvement?
  - Fire Fighting Allowance
  - Burst Allowance leading to a volumetric adjustment
  - Change to non-return to sewer allowance
  - Change in surface area draining to sewerage system
  - Additional information
- Consent to visit the eligible premises – is this needed?
- Appendix A – could this be improved?

Tariff simplification

- Retailer feedback – Market complexity, tariffs that cause issues?
- Some Wholesalers under pressure from Retailers to adapt tariffs
- Wholesaler perspective
  - Tariffs developed over significant period of time
  - Linkage to tariff basket and company structure
  - Used for driving customer behaviour
- Is there a Market appetite?
- Forum for change?

OPS developments

Sam Webb, Performance Manager

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OPS IPRPs

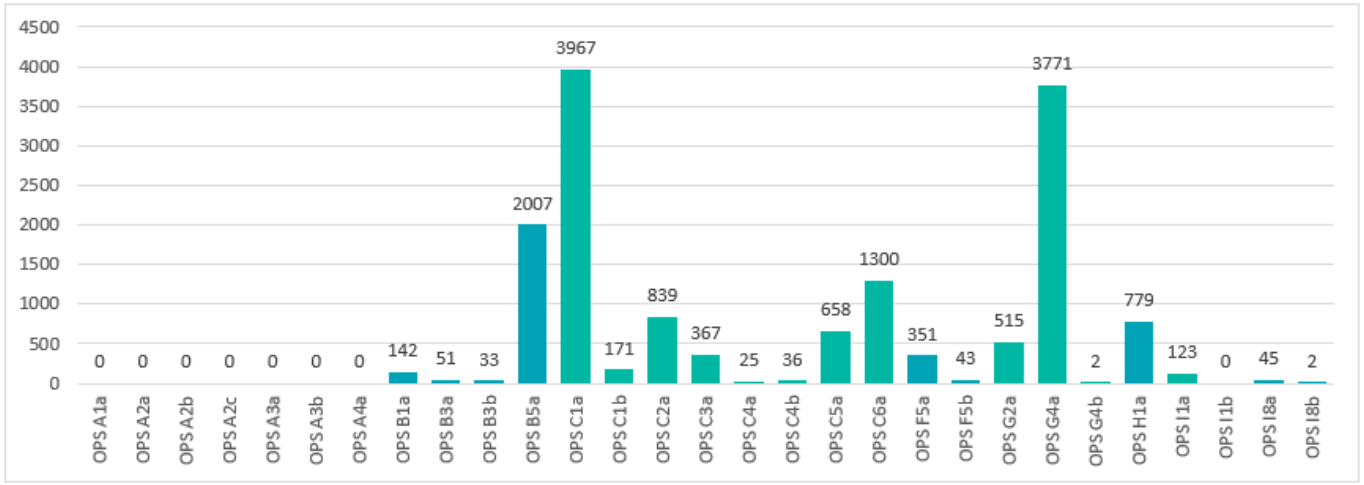
OPS IPRPs – For discussion and feedback

Through initial review and analysis of OPS data we have proposed that the introduction of OPS IPRPs should focus on standards **B5a** and **C1a**, as they:

- Show the highest volume (aside from G standards)
- Highlight areas of the highest market risk (metering)
- Are most likely to impact the performance of Retailers on MPS

Late completion of these tasks could result in retailers missing SLAs on meter reading standards and so receiving MPS penalties for this.

Task volume by standard (total tasks started in period)



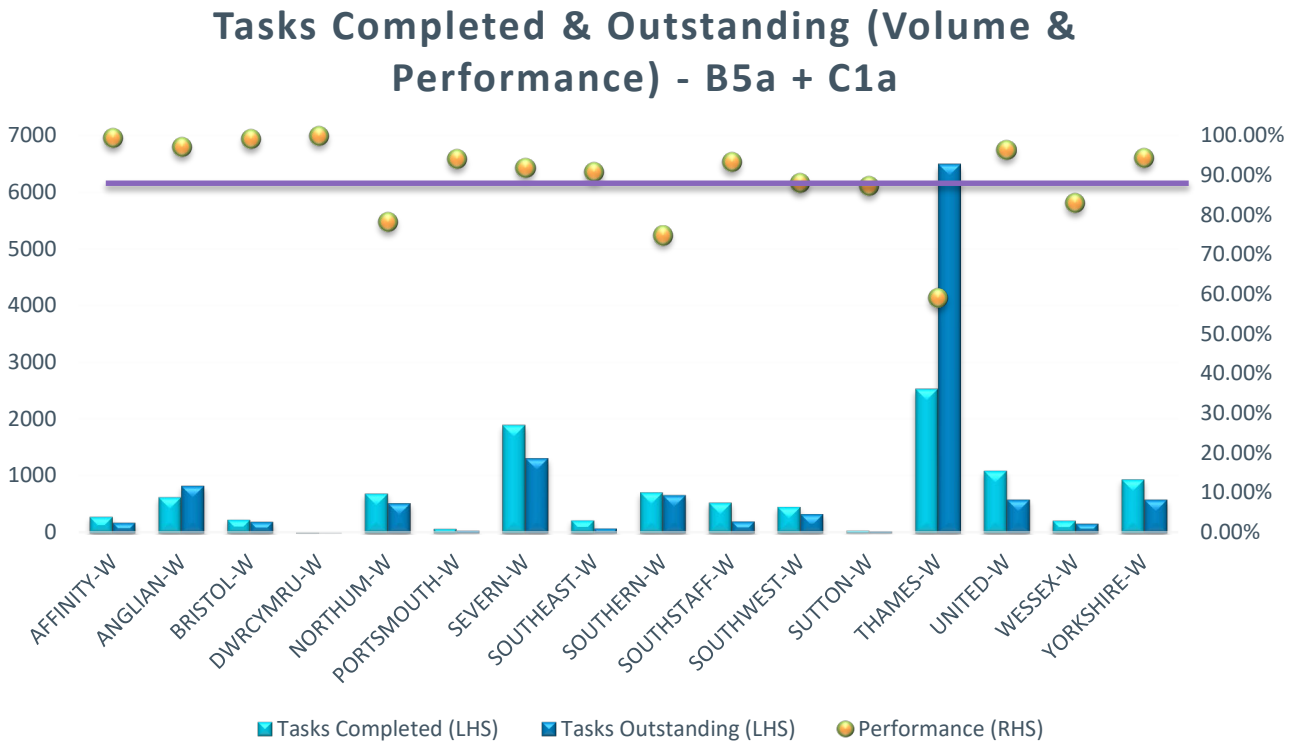
OPS IPRPs – For discussion and feedback

Over the coming weeks and months we will continue to analyse OPS performance to determine appropriate performance triggers for IPRPs against other standards

- Two proposed triggers for IPRPs:
  - *Performance threshold*
    - The same way MPS IPRPs are triggered
  - *Outstanding tasks*
    - Targets the amount of late outstanding tasks that are being held by Wholesalers
    - To stop any non completion of tasks which could “boost” performance.

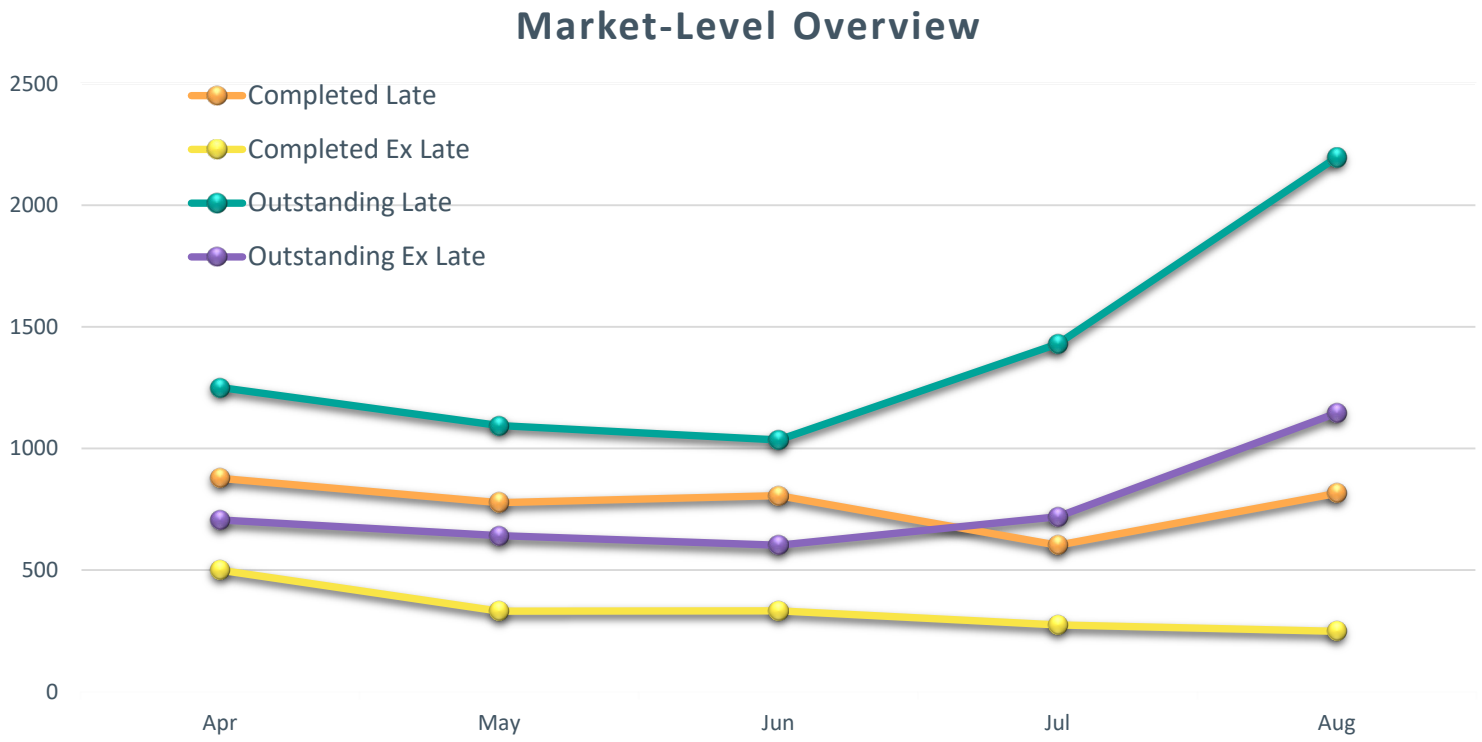
Completed and Outstanding Performance – trading party level

- At present, we will be using an initial threshold of approximately 85 per cent
- Wholesalers are then able to forecast and plan improved performance
- Five trading parties would be flagged for an IPRP based on the last three months average performance
- The threshold will then be reviewed as performance improves.



Outstanding late tasks

- Following a ‘settling’ period during April/May, tasks outstanding late doubled from June to August
- We are creating an API to disincentivise this behaviour
- At present, we will be using a trigger level of 75 per cent for this API. We believe that by using 75 per cent, wholesalers are incentivised to complete tasks in a timely fashion and disincentivised from leaving tasks as outstanding to avoid a charge for late completion.



Proposed timeline

September MPC

- Presented likely criteria to MPC members

By October MPC (30 October)

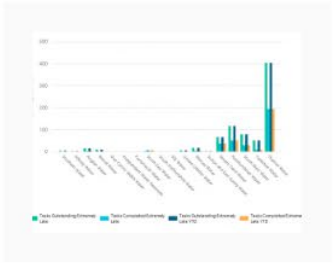
- Speak to other trading parties/MPC members to gain feedback
- Ensure both self supply trading parties and retailers are consulted
- Return to MPC with examples of trading parties who would be captured under the proposed criteria
- Start OPS IPRPs by the end of October following October's MPC.

New OPS Charts

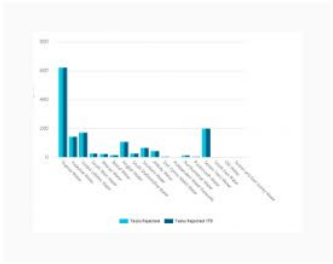
New OPS Charts – what are being replaced?

The current charts found under Operational Performance Standards are:

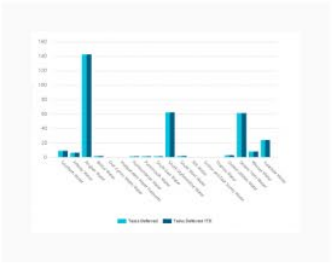
- Not hugely insightful
- Unable to compare performance easily between trading parties.



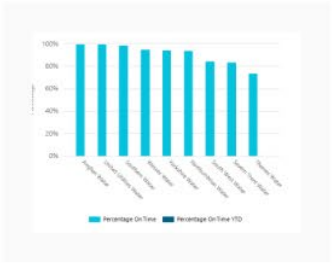
Operational Performance
Extremely Late Tasks



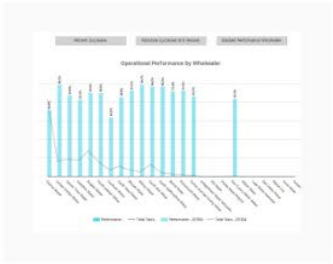
Operational Performance
Rejected Tasks



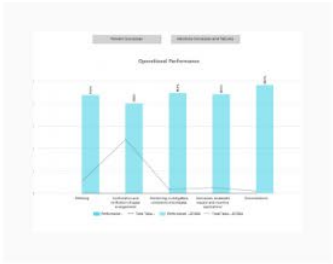
Operational Performance
Deferred Tasks



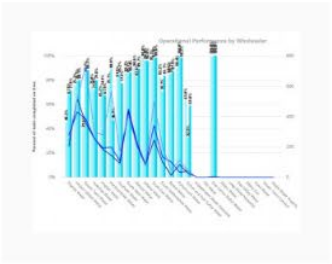
Operational Performance Percent
On Time



Operational Performance Peer
Comparison 2018/19



Operational Performance 2018/19



Operational Performance Peer
Comparison 2017/18

New OPS Charts – with what?

- New charts will enable:
  - Peer comparison
    - The ability to drill down and view performance against standards compared to other wholesalers
  - Clearer, more focused analysis
  - More insight to wholesaler performance at a glance
  - More interactive and user friendly charts – you can choose what you see.

Peer Comparison League tables

Peer Comparison League Tables update

- To be updated every six months
  - due to be updated at the beginning of November
- Format to be largely the same for comparison to last six months however, we will now be including the six monthly totals of capped charges

MPS Performance - Retailers with 5,000+ SPIDS						
Retailer	Financial Year 2018-19			As of Sept 2018		Performance Trend Indicator*
	Rank	Annual Performance	Total Tasks	Mid-Year Performance	Mid-Year Rank	
Yorkshire Water Business Services	1	91.1%	613,665	92.7%	1	-
Water 2 Business	2	88.4%	378,453	85.0%	3	↑
Affinity for Business	3	87.7%	253,747	86.7%	2	-
Pennon Water Services	4	77.3%	466,319	78.2%	4	-
Clear Business Water	5	76.4%	27,953	77.9%	5	-
Everflow	6	76.0%	74,935	74.5%	6	-
Wave	7	75.2%	991,731	68.5%	7	↑
Water Plus	8	72.9%	1,266,983	67.9%	8	↑
Business Stream	9	66.8%	254,010	67.0%	9	-
Castle Water	10	59.5%	866,177	61.3%	10	-
SES Business Water	11	54.9%	79,158	35.4%	11	↑
Market-Wide Performance		74.9%	5,273,131	72.7%		

Bilaterals update

Chris Poulton, Transformation Director

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Contents

- Aims and objectives
- Governance update
- Initiation phase plan
- Teams roll out
- Next steps – Steering Group decision
  Planning phase
- Key dates
- Any questions

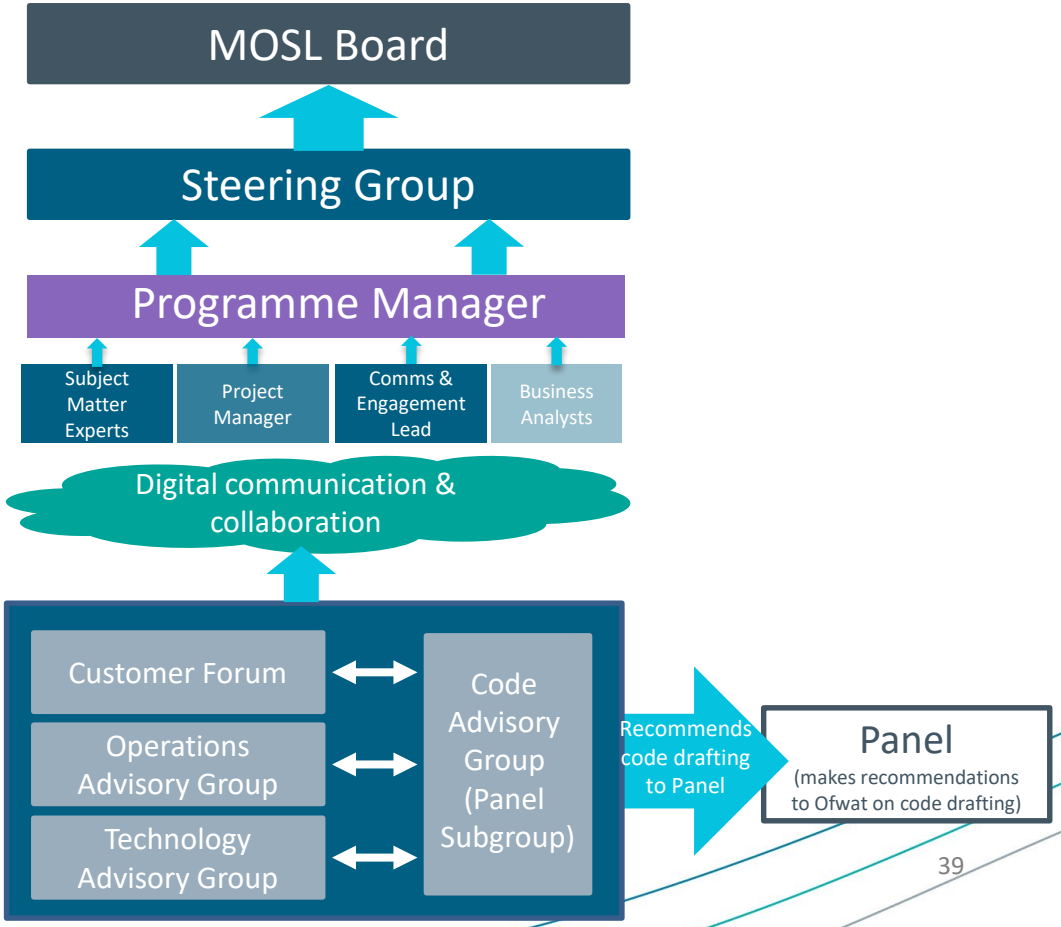
Aims and objectives

The project will:

- Investigate the issues caused by poor bilateral transactions, including concerns about the impact current mechanisms for undertaking bilateral transactions are having on the market
- Where necessary, develop a solution that will encompass the standardisation of bilateral transactions that are supported by a technology platform
- Through the provision of a suitable test environment, enable trading parties to test the technical aspects to a solution at appropriate milestones and prior to the submission of the final proposal by Ofwat to the Panel
- Develop, as appropriate, code modifications to enable the implementation of a solution into the Wholesale Retail Code (WRC).

Governance update

- Steering Group – in place, kick off held, first full meeting early Nov
- Code Advisory Group – kick off session in December
- Advisory Groups – open groups with core Members, initiation in progress
- Access to key documents via Microsoft Teams.



Project team in place

Project team members:

Chris Poulton

Director of Transformation
Bilaterals Delivery Lead

Fiona Murray

Project Manager
Bilaterals project

David Elliot-Smith

Business Analyst
Bilaterals project

Evan Joanette

Market Design Lead
Bilaterals Workstream Lead

Heather-Fiona Egan

MOSL Communications Executive
Bilaterals Communications & Engagement Lead

Steering Group members - MOSL:

Sarah McMath

MOSL CEO
Steering Group Chair

Wayne Johncock

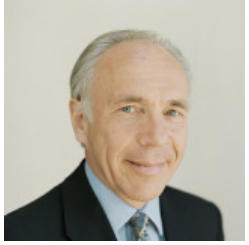
MOSL Interim CIO
MOSL representative

Steve Arthur

MOSL Director of Market Performance
Project Sponsor

Simon Orebi Gann

MOSL Non Executive Director
MOSL representative



Steering Group members – Ofwat and trading parties

Dan Mason

Ofwat Associate Director
Ofwat representative

John Vinson

JPV Consultancy
Independent representative

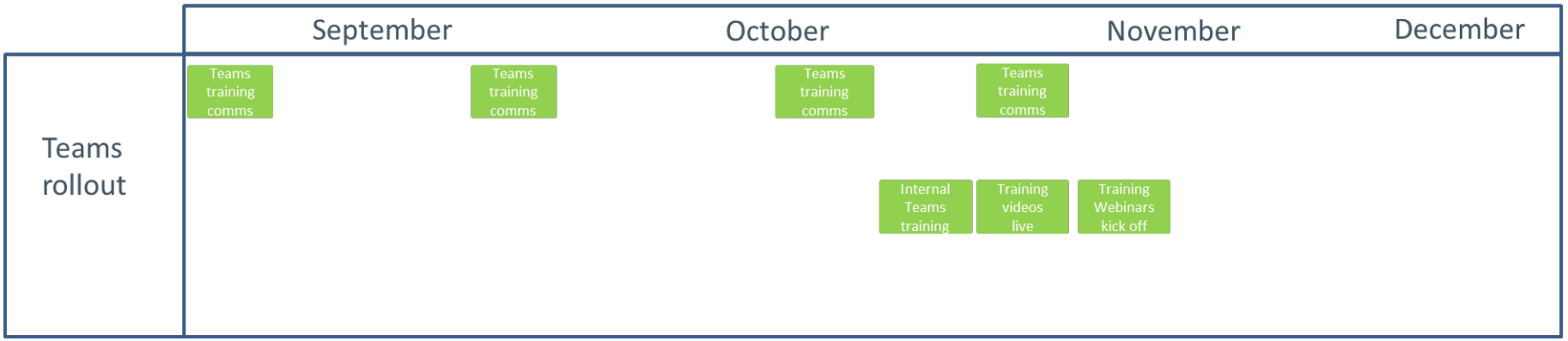
Kat Grimley

Thames Water
Wholesale representative

Paul Baker

Business Stream
Retail representative

Microsoft Teams rollout

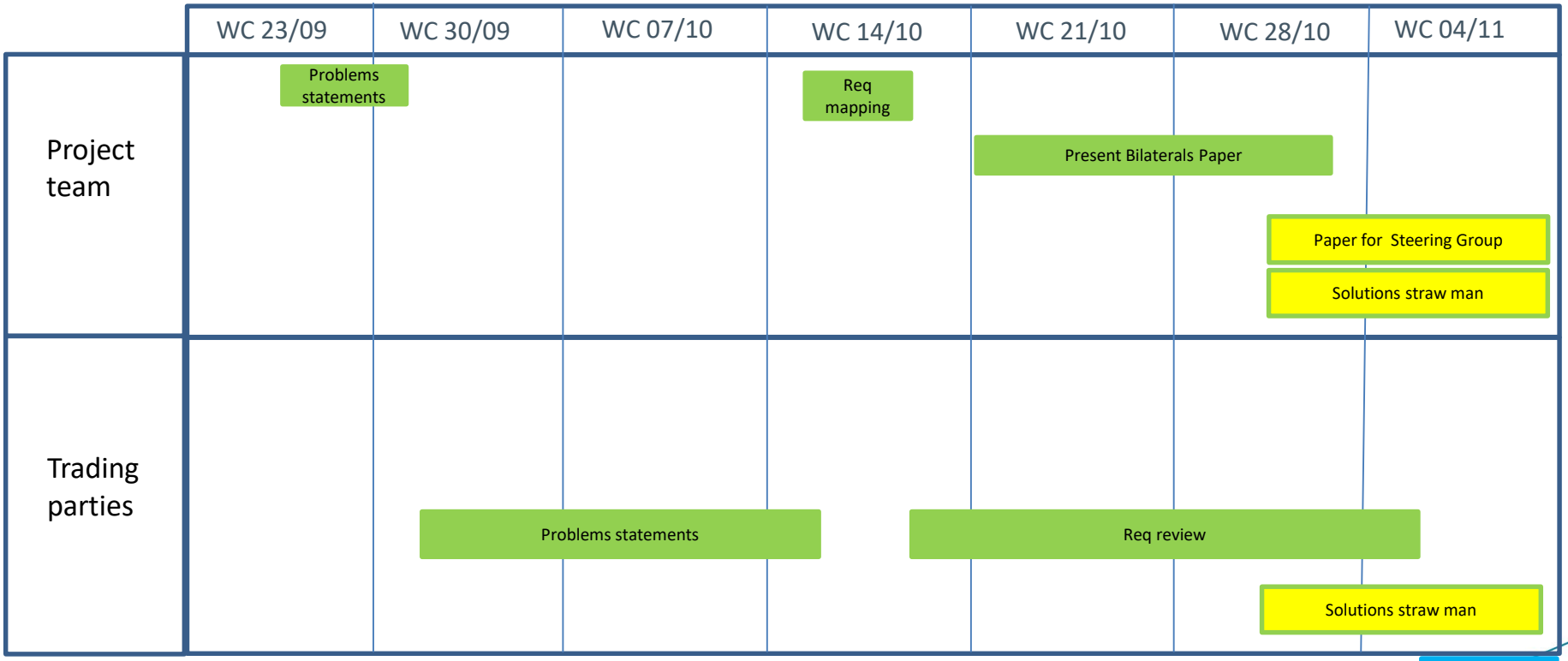


- The project is now set up in teams and being tested
- It is being populated with the key documents from the work so far
- All users can expect two training sessions, one on teams, and one on our specific set up provided by training group, QA
- All done on e learning and webinars

PoAP key (Plan on a page)

- Complete
- Behind schedule
- At risk
- On track

Approach to solution



What's next?

Steering Group - November

Scope of project e.g. planned and unplanned outages, queries

Solutions straw man for publication – problems to requirements to solutions, based on your feedback

Change freeze

Refreshed analysis, "stock take" report and Trading Party meeting feedback

Planning phase

Planning to the end of the project

Design of the solution

Key dates

- Respond to requirements ratification by 30 October
- Microsoft Teams go live 1 November
- Teams training early Nov
- Code Advisory Group (CAG) nomination opens 12 November
- CAG kick off meeting 6 December
- Advisory Groups open beginning of November

Any questions?

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RWG R-MEX group update
User Forum 17 Oct 2019

Gerard Lyden

Chair of RWG R-MeX working group

Background

- RWG R-MeX working group formed August 2018

- Representation:
  - 6 Retailers: Business Stream, Castle, First Business, PWS, Smarta, Water Plus
  - 11 Wholesalers: Anglian, Bristol, Northumbrian, Portsmouth, Severn Trent, South Staffs, Southern, South West, Sutton and East Surrey, Thames, Yorkshire
  - 3 Stakeholders: Ofwat , MOSL, CCW

- Objectives
  - To review current Wholesaler approaches to surveying Retailers
  - Agree and design good practice
  - To gain support for the recommended good practice from Trading Parties and market participants
  - To implement and report back to the RWG.

- Meetings / engagement
  - 6 meetings to date with next meeting scheduled 6 September (half day face to face)
  - 2 phases of consultation with wider TPs – initial views in autumn 2018 and CFI spring 2019

Agreed design

- Agreed design principles

  The group agreed to adopt the **Ofwat principles** used for C-MeX and D-MeX, that the measure
  - Encourages companies to improve customer experience and innovate
  - Simple and meaningful
  - Proportionate
  - Practical to implement
  - Measures performance consistently, reliably and fairly

- Agreed design parameters
  - Survey should cover key areas of service to Retailers, not duplicate Operational Performance Standards (OPS) and Market Performance Standards (MPS)
  - R-MeX should not carry financial incentives at this time
  - Survey should be the same for all participants to allow comparison and ease of use and responses should be weighted evenly to maintain level playing field
  - Timetable for surveys should be transparent to allow Retailer preparation and survey should initially be carried out 6-monthly so as not to over-burden retailers
  - Survey should be short (10mins) with a simple quantitative rating scale (0-10) and qualitative open comment field for each question

Anonymised R-MeX pilot survey results

Trading Party	Average of How satisfied are you that this Wholesaler's systems and notifications met your needs over the last six months?	Average of How satisfied are you with how this Wholesaler responded and communicated with you and your customers during incidents and unplanned events over the last six months?	Average of How satisfied are you with the clarity and effectiveness of this Wholesaler's financial policies and processes, including provisions for billing, settlement and credit over the last six months?	Average of How satisfied are you with the level of engagement and support you have received from this Wholesaler over the last six months?	Average of How satisfied are you with the quality of this Wholesaler's data maintenance and improvement over the last six months?	Average of How satisfied are you with the services offered by this Wholesaler that you have used over the last six months?	Average of How satisfied are you with the speed and quality of this Wholesaler's responses to your service requests over the last six months?	Average of Overall, how satisfied are you with the service your organisation has received from this Wholesaler over the last six months?
A	8.0	8.0	7.2	8.6	7.3	8.3	7.8	8.2
B	7.5	8.5	8.3	8.3	6.5	8.0	8.0	8.0
C	6.2	4.0	5.0	6.0	6.4	6.0	4.8	5.2
D				6.0			8.0	8.0
E	7.0		7.5	7.5	6.0	7.0	7.5	7.5
F	6.4	7.3	7.5	7.4	6.5	6.0	6.8	7.2
G	7.8	5.7	7.8	8.2	7.5	7.8	7.4	7.8
H	5.7	6.2	6.8	6.5	5.0	5.3	4.5	4.8
I	7.0	6.3	7.5	7.3	5.0	6.0	7.8	7.5
J	7.3	8.3	7.6	7.0	7.0	7.8	7.3	7.5
K	7.5	7.3	7.5	7.5	7.5	7.5	7.8	7.5
Average	7.0	7.0	7.2	7.3	6.5	7.0	6.8	7.0
Range	5.7-8.0	4.0-8.5	5.0-8.3	6.0-8.6	5.0-7.5	5.3-8.3	4.5-8.0	4.8-8.2

Pilot survey: Six retailers and eleven wholesalers volunteered to take part in the pilot survey.
55 responses received from the 6 retailers

R-MeX pilot feedback

- Key feedback:
  - R-MeX scores and, in particular, the free comments had provided each of the wholesalers with additional insight and actionable feedback. Some wholesalers had already taken actions to improve service since receiving their pilot survey feedback
  - Retailers felt the survey was understandable and straightforward to complete, although this needed some coordination to pull in views from different teams in each Retailer.
  - More work is needed to make the survey itself easier to complete from a practical / logistical point of view and any changes from this point should focus on simplifying the survey
  - The statistical constraints of the survey are recognised as the sample size will be small, but the benefits of having regular, compatible and actionable feedback outweigh this
  - The group discussed whether smaller wholesalers should be excluded from the survey (i.e. those with less than 1000 SPIDs) as in most cases they have only 1 or two retailers. The group felt they should not be excluded but this could be reviewed during operation of the R-MeX.
  - It was noted that for the 14 larger wholesalers (all those with >10,000 SPIDs) the number of active retailers (that would be surveyed) ranged between 10 and 25 for each wholesaler
  - There was general support for the wording of the questions but the group recognised these has not has a professional review. The group agreed to a final review with the Institute of Customer Service.
  - The group further agreed that once ICS feedback and any of the specific comments has been incorporated the R-MeX survey is fit for purpose and should be progressed into formal market requirements through Code change (with a wholesaler and retailer to jointly propose)

R-MeX agreed next steps

- Review with Institute of Customer Services (questions and statistical issues) & incorporate other feedback
- Simplify survey logistics to make easier for retailers
- Engage with MOSL CEO and Market Performance Committee
- Prepare Code change proposal (joint wholesaler/retailer lead) to codify main elements of the R-MeX to apply from April 2020
- Further pilot testing following revisions
- Wholesalers to formally commit prior to Code Change (Ofwat end October deadline)?

Corporate Affairs update: Trading party engagement

Lyvia Nabarro, Head of Corporate Affairs

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MOSL's strategy and business planning

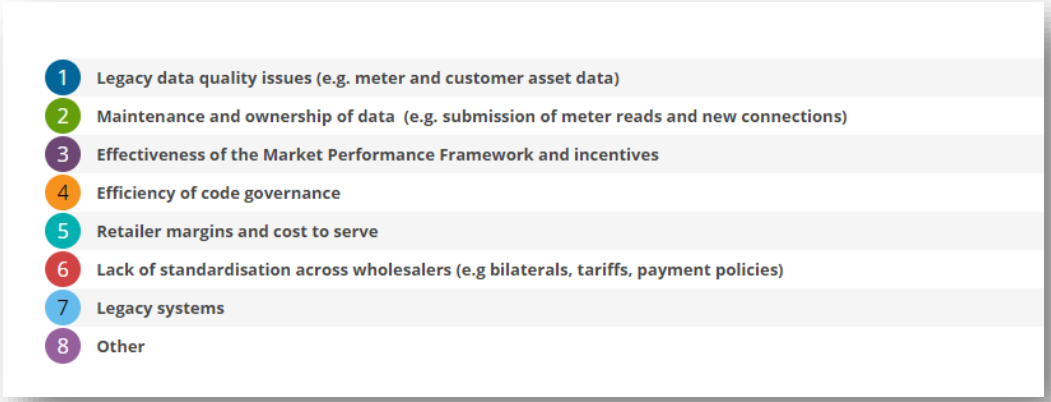
CEO Forum

- Opportunity for MOSL to share its strategy review to-date and headlines for the 2020/21 Business Plan
- Opportunity for collaboration and collective understanding of key roles and responsibilities
- Workshop of key market issues identified through CEO survey

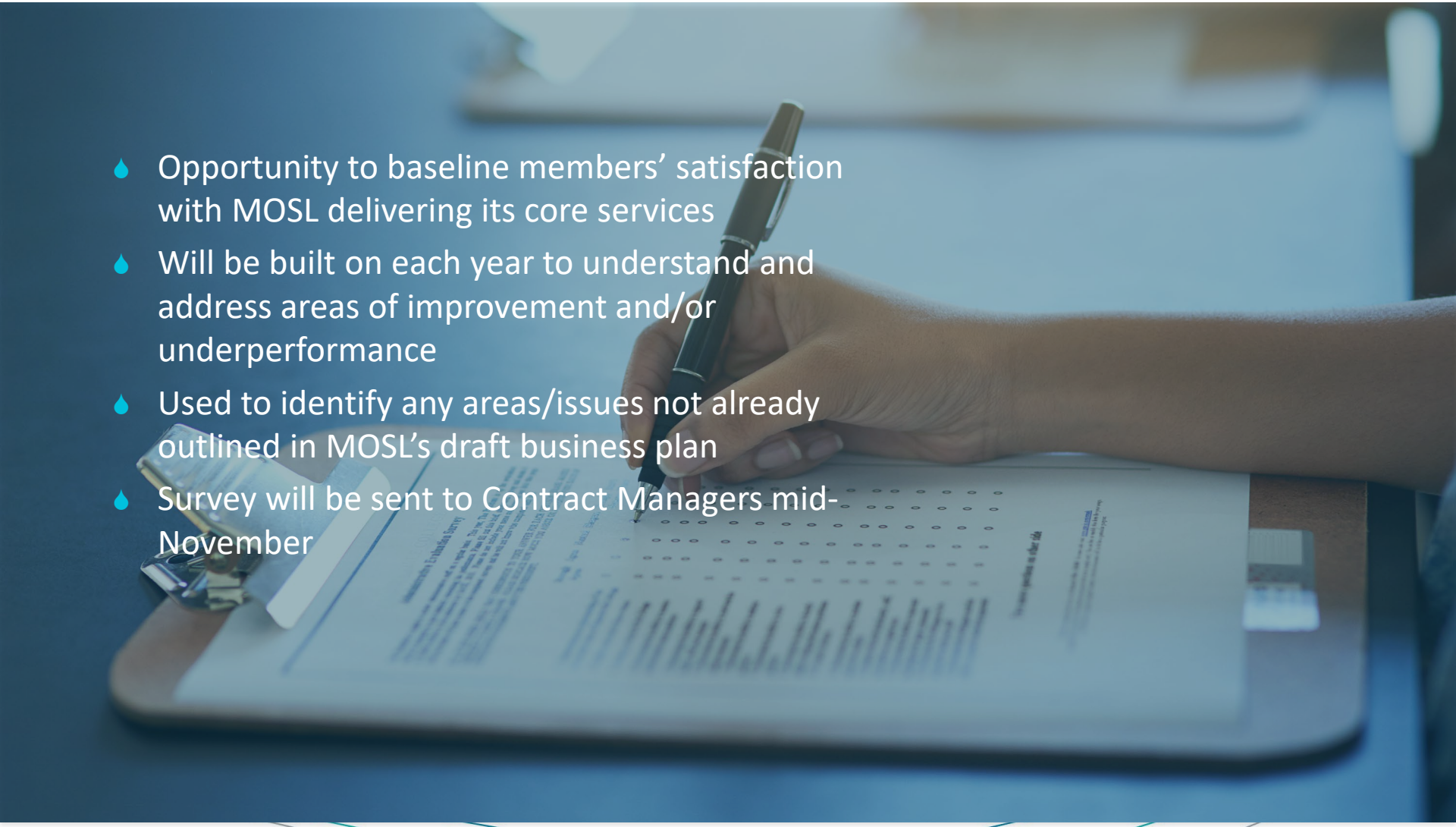
Arrivals, tea and coffee		10.00 - 10.30
Welcome and introduction	Sarah McMath	10.30 - 10.45
Hindsight • How did we get here? *Video of key industry figures involved in market opening*	Sarah McMath	10.45 - 11.00
Insight • Where are we now? • Views of the market 2019/20 • Ofwat's *Emerging Strategy*	Rachel Fletcher	11.00 - 11.30
• MOSL - delivering value and core services • Business Planning 2020/21 • Strategy and cultural reset	Sarah McMath	11.30 - 12.00
Q&A session - Ofwat and MOSL		12.00 - 12.30
Lunch		12.30 - 13.15
Foresight **Workshop session (TBD)** • Pre-event survey results • Key market frictions and roles and responsibilities • How can we improve the customer experience?		13.15 - 15.00
• Summary and closing thoughts • Next steps - breaking down barriers	Sarah McMath	15.00 - 15.15
Drinks reception		15.15 - 16.00

CEO Survey

- Outputs will be used to shape the CEO Forum workshop sessions
- Key issues will inform business planning 2020/21
- Results of NPS will give MOSL a great understand of member satisfaction from a strategic level
- Survey closes **25 October**



Annual trading party survey



- Opportunity to baseline members' satisfaction with MOSL delivering its core services
- Will be built on each year to understand and address areas of improvement and/or underperformance
- Used to identify any areas/issues not already outlined in MOSL's draft business plan
- Survey will be sent to Contract Managers mid-November

MOSL's 13 key services

Financial settlement	Ensuring wholesalers and retailers receive timely information to invoice and pay their respective customers
Market entry assurance and exit	Providing support and guidance to trading parties preparing to enter or exit the market
CMOS service management	Driving improved supplier performance to deliver a performant system and robust incident management
Market risk and planning	Monitoring and analysing areas of potential risk to market operation and the performance of trading parties
Disputes	Delivering case management capability and support to relevant committees
Data management	Holding and securing market data in a manner compliant with regulatory and code obligations
Market charges and payments	Determining and invoicing market operator charges payable by all active trading parties
Query handling	Managing trading party queries through a multi-channel approach
Panel and market code change delivery	Providing a service to trading parties ensuring that market arrangements are open to consultation and change
Market engagement	Providing support, information and insight to trading parties. Enabling access to market forums, meetings and information
Market Incident Management Plan	Being ready to provide a business continuity service that manages operations during high impact events
Trading party compliance	Monitoring and reporting trading parties' performance including against the market standards
Market operator compliance	Monitoring MOSL's level of compliance against its code obligations

Any questions?

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Initial Feedback on MPF Redistribution Consultation

Nigel Sisman

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Structure

- Consultation background and number of responses
- Key areas of feedback
  - Framework options
  - Project selection approach
  - Default distribution approach
  - Implementation timeline
- Process and next steps

Consultation background and responses

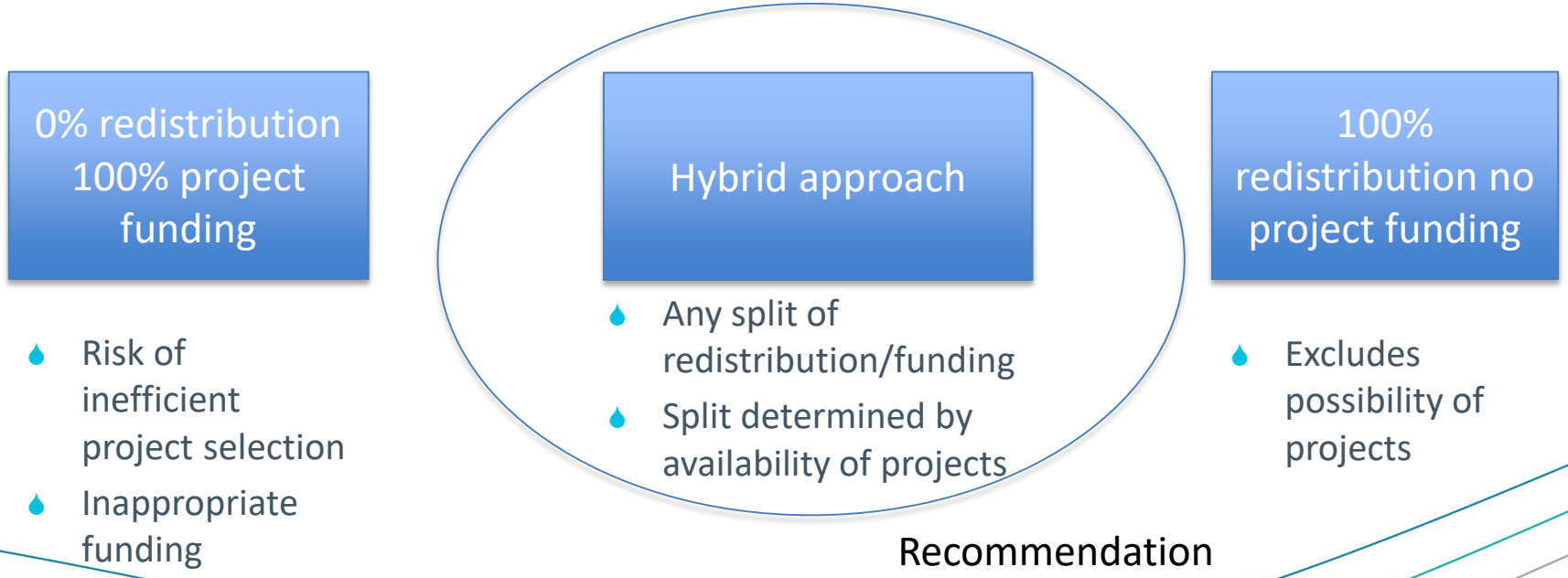
- Consultation valuable given strength of feeling about “what to do with the MPS/OPS charges”
- Opportunity to
  - explain logic
  - assess whether anything has been missed
  - afford opportunity for adaptation if necessary
  - increase Panel’s confidence to make recommendation

Group	Number of Respondents
Total Respondents	19
Wholesalers	10
Retailers	9

Framework options

Wide range of feedback from respondents including support for

- extremes (both 0% redistribution and 100% redistribution)
- charges should reduce MOSL costs
- current regime does not deliver good customer outcomes



Defining the hybrid approach

Key elements

- deployment of funds requires **governance framework**
- any non-allocated money to be redistributed by the **default redistribution method**
- when do the changes become effective, determined by **the implementation date**

Governance framework

Mostly supportive feedback

Other feedback involved:

- aspiration for more rigour in process
- Ofwat to have greater involvement
- project selection via Trading Party voting
- broader group to select projects (TPs, TPIs, customers)
- offer of assistance to finalise arrangements

MPC considers its overall proposal delivers a pragmatic and proportionate decision making process for an initial implementation recognising that it can evolve in response to developments

Recommendation for governance framework

Element	Idea
Timings	• Ad-hoc and/or annual process for applications • Defined process for selection/rejection of projects • Deployment of monies – annual monies spend or redistribute in timely manner
Eligibility for funding	MOSL, Trading Parties, or Third Party (with MOSL or TP sponsorship)
Decision maker	The Panel
Process administration	MOSL in its various roles (secretariat/admin support, settlement, project/programme management, Board/management)
Criteria for project selection	In code: • To deliver benefits to business customers • To be additional • To foster general market functioning rather than conferring competitive advantage More interpretation and detail to be included in Ancilliary Document
Funding attribution	Project costs to be allocated to 'sub-pots' prior to redistributions (e.g. OPS, MPS-Retailers, MPS-Wholesalers)
Process definition	Appropriate detail to be contained in a Code Ancilliary Document subject to self-governance (i.e. Panel to evolve as required)

Default redistribution approach

Mostly supportive feedback

Other feedback involved concerns about:

- “dilution”
- Inappropriate reward for poor performer
- transfers

Understanding the dilution issue

- Under Original CPM008 a £20 charge to a 10% market share player receives a redistribution of £2 yielding a discounted charge of £18

More generally

"How does redistribution affect incentive strength?"

- It does not change the ability of companies to improve
- But it *could* change whether the charge <> the cost of improvement
- But the impact of incentives depends on whether the redistribution is caused by:
  - The company's failures. **This redistribution could affect incentives**
  - The failure of other companies. **This redistribution does not**

Transfers

Several respondents remarked about the possible unfairness of CPM008+

- Larger market share actors appear to lose out to smaller market players with common performance levels

Concerns raised about the CPM008+ redistribution approach

Concerns have been raised that the CPM008+ approach is distortionary

Retailer	Market Share (MOSL fee)	% MPS charges paid	% charges returned
1	40	40	29.88
2	25	25	27.01
3	20	20	23.27
4	10	10	13.03
5	5	5	6.81

Assumptions: Same level of performance, No capping of charges

The above illustrates the effect, but “the unacceptable transfer” between large retailer(s) and the rest is a complex function of the individual retailers market share and the distribution of market shares of the rest.

Transfers

Several respondents remarked about the possible unfairness of CPM008+

- Larger market share actors appear to lose out to smaller market players with common performance levels

Whilst not perceived as a major issue with current (Org_Id based) market share this might be considered unacceptable if much larger market shares occur in the future

3 alternative proposals in feedback

MPC notes

- respondents indicate that current transfers are acceptable
- aspiration to fix the priority dilution issue

However if market shares change to such an extent that competition was being distorted then the approach would need to be revisited the future

Implementation timeline

Divided opinion about 1 Jan 2020 or 1 Apr 2020 implementation

Why is it important?

- No treatment of OPS monies is defined in MAC so CPM018 will define treatment
- Revised CPM008 is currently applicable to MPS

For MPS the implementation date will therefore define a date from which the new method will apply.

Before the implementation date Revised CPM008 will apply, for any charges after implementation the hybrid approach (option to deploy plus CPM008+ default redistribution) will apply.

Rationale for Implementation dates

1 Jan 2020	1 Apr 2020
Removes anomalous incentive properties of Revised CPM008 as soon as possible	Actors may have assumed redistribution for full year based on interpretation of Ofwat decision
Enables potential deployment of governance framework for MPS as soon as possible	Some Trading Parties may have budgeted for the redistribution based on expected performance
Creates opportunity for Jan-Mar 2020 MPS monies to be available for project funding	
Complements CPW072 (zero charge for late meter read submission) by removing disincentive to submit associated with detriment to redistribution outcome under Revised CPM008	

The MPC decided to recommend 1 Apr 2020 implementation to allow greater time for Ofwat and MOSL to decide and implement respectively

Next steps

Step	Date	Comment
Development and sign-off of final proposal by	Wed 23 Oct	
Recommendation to Panel	Thur 24 Oct	
Panel recommendation decision	Tue 29 Oct	
Final recommendation to Authority	Fri 1 Nov	Aspiration that decision will be made in 2019
Code release	No later than Tue 31 Mar	

AOB and close

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