



**STRATEGIC
PANEL**
& Committees

Strategic Panel Priority Market Outcomes and Areas of Work

6 September 2022

As the Independent Chair of the Strategic Panel for the business retail water market in England, I am delighted to share the Panel's Priority Market Outcomes and Areas of Work document.

The Strategic Panel's role is to promote, challenge, and lead the operation and the evolution of the market for the benefit of current and future non-household customers. We transpose the strategic direction set by Ofwat and Defra into prioritised outcomes and programmes of work. As such, our scope extends beyond providing direction on market codes and includes making recommendations to Ofwat and Defra on policies, regulation, or legislation required to evolve the market for the benefit of customers.



We consider fundamental change is needed. Our overarching priority is a market that delivers sustainable economic growth in its widest sense, creating social, economic, and environmental value for customers, market participants, society, and the environment. Our strategic outcomes - value creation, excellent customer service and water efficiency - are core to achieving this.

We have sought to prioritise areas of work most likely to achieve these outcomes and unlock value for current and future customers in the non-household water market. We recognise that market improvement projects are already underway, many of which are delivering results. We have not fully assessed whether all existing projects will deliver the scale of change required and have therefore been deliberate in recommending reviews in some areas. We see our role as providing the appropriate ongoing direction to enable focused work by ourselves or others. We will work closely with market stakeholders, including customer organisations, MOSL, trading parties, Ofwat and Defra.

It is important that we continue to hear from, and listen to, stakeholders. We consulted in May and June and the Strategic Panel deliberated on this feedback at its meeting in July. We recognise that there is a lot of work ongoing, and more needs to be done, but unlocking future value for customers remains our priority. This document sets the direction that the Strategic Panel wants the market to take and the Panel's priority areas over the next three years. We will review this document in 2023.

I look forward to working closely with our stakeholders in delivering the priorities for the coming years and making a positive impact for customers.

Kind regards

Trisha McAuley OBE

Chair of the Strategic Panel

Summary of Market Outcomes, Priority Areas and Work Programmes for 2022 to 2025

Market Outcomes


A market that delivers sustainable economic growth in its widest sense, creating social, economic and environmental value for customers, market participants, society and the environment.

 **Value Creation**

Customers of all sizes, geographies and sectors have a diverse choice of services and market participants actively compete and innovate to meet changing customer, social and environmental needs at a fair price. Company Boards are actively engaged in creating value.

 **Customer Service Excellence**

Customers buy products and services that meet their expectations in terms of time, cost and quality. The market delivers recognised best practice in customer service.

 **Water Efficiency is Core**

Water efficiency is embedded as core to business across the market. Market participants enable customers to understand their consumption of water and wastewater services and to use resources efficiently.

Market Priorities

Get the Money Right

Create a commercial framework in which efficient and successful market participants make appropriate risk adjusted returns or better by; earning a fair and sustainable return on their investments and delivering services that demonstrate value for the customer.

Get the Basics Right

Customer bills and market settlement are based on accurate consumption data and there is improved access to data to promote innovation. Align Retailer, Wholesaler and Market Operator processes to improve efficiency and customer value, while recognising that appropriate variation may be in the customer interest. Get the basics right in customer interactions and communications. Create a flexible and responsive code change mechanism that prioritises the right outcomes

Get the Incentives Right

Align market participant incentives to drive customer, social and environmental benefits and value.

Water Efficiency

Market participants and customers are incentivised to use water efficiently. The market enables customer understanding of consumption and treats water efficiency as core business.

Innovation

Create the right market mechanisms to create new value, making the market genuinely attractive to new entrants and new business models, delivering organic innovation, new customer propositions and environmental benefit

Work Programmes

- PR24
- REC Review
- Supplier of Last Resort arrangements
- Consider Further Reviews (UK utility margins, costs and working capital, credit and settlement)

- Improve the Code Change Mechanism
- Review and Improve Data and Metering Technology, Roles and Responsibilities
- Process Alignment (Policies, Wholesale Tariffs, Dispute Provisions)
- Support Good Practice in Customer Service
- Market Performance Framework (MPF) to focus on meter and settlement accuracy

- Reform the Market Performance Framework (MPF)
- Ensure compatibility of MPF and PR24
- Review the role and operation of the Market Performance Committee

- Engage with RWG and other water efficiency programmes
- Consider CCW research
- Consider water efficiency in all programmes including PR24 and MPF Reform
- Further work as needed

- Review arrangements for the Market Improvement Fund
- Review blockers to innovation (including benefits of Open Data)

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Introduction

The Strategic Panel promotes, challenges and leads the operation and evolution of the market for the benefit of current and future non-household customers. It is the senior group responsible for overseeing the market codes, which govern the market.

Strategic Panel Terms of Reference, 2022

[Defra's Strategic Policy Statement](#) and [Ofwat's Vision for the business Retail Market](#) encompass:

- Protecting and enhancing the environment
- Delivering a resilient water sector
- Serving and protecting customers
- Using markets to deliver for customers
- Creating value through dynamic and competitive markets that rewards those that provide better quality service and value for money and evolve new propositions to meet the diverse and changing needs of customers and society.

The Strategic Panel has been established to transpose the strategic direction set out by Ofwat and Defra into prioritised outcomes, actions, and programmes of work. We share their vision, ambition and assessment that fundamental change is needed. The needs and priorities of current and future customers will be at the centre of everything we do. We see our role as creating and enabling the right market conditions for customers to have greater choice and the ability to tailor services to their needs (as opposed to prescribing the products or services for customers). We favour a market with a strong focus on retailers serving customers' needs.

The Strategic Panel's scope extends to providing direction on issues across the breadth of the market, including the market codes, adjacent rules, policies, or legislation that could impact the strategic direction of the non-household water market. As such, the Strategic Panel has a key role in making recommendations to, or seeking to influence, DEFRA or Ofwat on policies or legislation beyond the scope of the market codes to evolve the non-household market for the benefit of customers. Through the Code Change Committee, the Strategic Panel will also make recommendations to Ofwat to adopt code changes. We may also make recommendations to other market parties and MOSL to progress actions that further the strategic outcomes for the market. To support this, the Strategic Panel will need to work closely with others, where possible, leveraging existing work by others rather than commissioning its own new work. We may commission work from MOSL or Panel committees and, if desired, independently review or assess particular aspects of the market. Ultimately, we see our role as providing the framework and direction to create the conditions, and steer the market to unlock the barriers,

to bring about a thriving, sustainable market that works for its customers now and in the future, and, in doing so, adds clear value to society.

This document therefore sets out the Strategic Panel's ambition for the market, now and in the future, the key outcomes we want to see and the areas of work that we have decided should be prioritised now and over the next three years. Recognising the need for fundamental change in this market, we have sought to prioritise what is most likely to unlock value for customers in the future. We observe a number of market improvement initiatives and projects led by MOSL, trading parties, RWG and others. We are not in a position to assess whether all of these will deliver the scale of change required. Therefore, we have been deliberate in recommending reviews on some topics rather than simply endorsing existing projects. We see our role as providing appropriate direction and framework to enable focus on clear outcomes that can be measured and tracked. We will use these outcomes to prioritise our own work, the work of our committees and make recommendations to other market stakeholders, including MOSL, DEFRA and Ofwat.

The Strategic Panel will review our priority outcomes and areas of work on an annual basis, engaging with stakeholders in line with the Engagement Plan published alongside this document, and understanding the evidence base to help drive delivery of the best outcomes for customers.

Over the next few months, we will set out measures to assess the delivery and value of our work and the progress towards our key market priority market outcomes. We will use these also to set targets and metrics for Strategic Panel committees. These measures will be reviewed over time as the market develops and priorities change.

In setting out our priority outcomes and work programmes, we are conscious that the task is an ambitious one. Our aim is to prioritise and inject focus and pace, as much as possible and as soon as possible, where we can - but with a clear eye on the evidence, and on the longer-term perspective and on balancing short and long-term gain.

Priority Market Outcomes

The Strategic Panel's over-arching priority outcome is a market that delivers sustainable economic growth in its widest sense, creating social, economic and environmental value for customers, market participants, society and the environment.

In a market with increased value, customers will be more engaged in seeking services to benefit their businesses and trading parties will be more engaged in seeking customer's business.

More choice and competition for customers will, in turn, drive service and innovation to further increase the value of the market.

Higher value need not mean higher prices; prices should be fair, sustainable and offer value for money. However, it should mean best practice in customer service founded on well-functioning market processes, and efficient and effective water use and drainage which will both save customers money and meet the environmental challenge.

Reflecting our over-arching priority, the Strategic Panel has identified three specific priority market outcomes that will drive the focus of key priority areas of work:

- Value Creation
- Customer Service Excellence
- Water Efficiency is Core

We have set out the work to achieve these outcomes under five priorities:

- Get the money right
- Get the basics right
- Water efficiency
- Get the incentives right
- Innovation

We recognise that this is a wide scope of priority areas, and the industry has finite resource to deliver them. Our stakeholders consider Get the Basics right and Water Efficiency will deliver most value to customers, but Water Efficiency is itself dependent on getting the money, incentives and basics right. The Panel is clear that Water Efficiency is an issue of strategic importance and should remain a strategic priority. In terms of resources, we will maintain the momentum on water efficiency but ensure that consideration of water efficiency is embedded into the work to deliver the other priority areas. Likewise, the delivery of all other priority work areas will be a key enabler for unlocking innovation. Our delivery timelines for Innovation, in

itself, are largely planned for 2023/24. We do not plan to change the momentum of this work as discarding it may be regretted in future.

The programmes of work that sit underneath the priorities have been reviewed to reflect our approach.

We expect each area of work and deliverable, as a matter of course, to embed the following cross-thematic considerations:

- water efficiency
- innovation
- customer impacts by segment
- customer protection
- efficiency/value for money
- environmental impacts
- scope for collaboration/partnerships.

Over-arching Strategic Priority Outcome:

A market that delivers sustainable economic growth in its widest sense, creating social, economic and environmental value for customers, market participants, society and the environment.



Value Creation

Customers of all sizes, geographies and sectors have a diverse choice of services and market participants actively compete and innovate to meet changing customer, social and environmental needs at a fair price. Company Boards are actively engaged in creating value.



Customer Service Excellence

Customers buy products and services that meet their expectations in terms of time, cost and quality. The market delivers recognised best practice in customer service.



Water Efficiency is Core

As a fundamental market mechanism to achieve the UK's 2050 Net Zero target, water efficiency is embedded as core to business across the market. Market participants enable customers to understand their consumption of water and wastewater services and to use resources efficiently.

Priority Areas of Work

Get the Money Right

Create a commercial framework in which efficient and successful market participants make appropriate risk adjusted returns or better by; earning a fair and sustainable return on their investments and delivering services that demonstrate value for the customer.

Get the Basics Right

Customer bills and market settlement are based on accurate consumption data and there is improved access to data to promote innovation.

Align Retailer, Wholesaler and Market Operator processes to improve efficiency and customer value, while recognising that appropriate variation may be in the customer interest.

Get the basics right in customer interactions and communications.

Create a flexible and responsive code change mechanism that prioritises the right outcomes

Water Efficiency

Market participants and customers are incentivised to use water efficiently. The market enables customer understanding of consumption and treats water efficiency as core business.

Get the Incentives Right

Align market participant incentives to drive customer, social and environmental benefits and value.

Innovation

Create the right market mechanisms to create new value, making the market genuinely attractive to new entrants and new business models, delivering organic innovation, new customer propositions and environmental benefit

Strategic Panel Programmes of Work Under Each Priority Area

Overarching Priority: Price Review 24

We are calling out PR24 as an over-arching priority where we will adopt a holistic view, as we see it potentially impacting all of our priority outcomes and affecting multiple areas of our work programme.

Price Review 24 will determine the allowed revenues for wholesalers during the next price control period. Setting these revenues at an appropriate level is important for customers in ensuring appropriate services are offered, including ensuring that Wholesalers are appropriately incentivised to invest in the delivery of efficient and effective services and technology in the non-household market that support the delivery of key market outcomes and priorities. This will have to be balanced carefully with Ofwat’s priorities for the household market. Given the importance and regulatory timetable for PR24, this will be the Strategic Panel’s immediate priority.

What we will do (deliverable)	How we will do it (also deliverables)	2022/23	2023/24	2024/25
<p>Make recommendations to Ofwat on the PR24 Draft Methodology on how best it can contribute to delivering priority market outcomes.</p> <p>We will take a holistic market view to assessing how Ofwat’s key strategic themes interact with our priority market outcomes and how both can best be delivered in the PR24 period.</p>	Formal response	September		

What we will do (deliverable)	How we will do it (also deliverables)	2022/23	2023/24	2024/25
Our response will include providing Ofwat with a clear view, focused on customers, on whether some or all market performance incentives should form part of the PR24 settlement or the Market Performance Framework, or a combination of tools.				
Continue to engage with Ofwat, providing clear recommendations when we think necessary, at key milestones towards the final determination.	Formal responses	Ongoing	Q1 - Q3 Ongoing	

Get the Money Right

Create a commercial framework in which efficient and successful market participants make appropriate risk adjusted returns or better by; earning a fair and sustainable return on their investments and delivering services that demonstrate value for the customer.

Rationale for Priority Work Area Programmes

For this market to create value for customers, it needs market participants who offer new products, services, and choice; there needs to be more innovation. To do this, market participants that are efficient and productive must earn a fair and sustainable return. Ofwat’s review of the Retail Exit Code (REC) will materially influence market participants’ returns for significant proportions of the Retail market and, as such, the Strategic Panel will take the opportunity to deliver a comprehensive submission to the REC review. The Strategic Panel believes it will be important for Ofwat to balance effective protection and fair prices for new and existing customers, while enabling efficient Retailers to compete on a sustainable basis and so that future customers benefit from a flourishing competitive market. This is a key strategic priority for the market and

getting this right underpins all the other priorities. However, we are also conscious that the REC, in itself, is not the silver bullet for creating the value that we want to see in the market. It has to, and must, go hand in hand with getting the basics right in market interactions.

The Strategic Panel's role is to make independent recommendations in the interests of existing and future customers to Ofwat on achieving the priority market outcomes. The Strategic Panel considers that an independent review of utility margins and efficient costs is necessary to inform recommendations on future price terms. We believe that the regulator is best placed to do this, and we encourage Ofwat to commission this. Depending on the outcome of the REC review, the Strategic Panel will consider whether we should undertake or commission further work in this area.

The Strategic Panel also considered whether to prioritise a fundamental review of credit requirements and settlement processes, including whether regulatory requirements are appropriate and create a level playing field. The Strategic Panel recognises the importance of credit requirements and that working capital costs could dampen new entry, expansion, and competition if costs are either not accounted for in the REC or are unduly discriminatory. The Strategic Panel would welcome Ofwat's consideration of market participants' working capital requirements and margins and appropriate reflection of these in the REC price terms. Once Ofwat's plans are clearer on the REC review later this year, the Strategic Panel will consider what additional work may be useful in relation to credit arrangements and settlement processes.

We also understand that DEFRA and Ofwat are reviewing the supplier of last resort arrangements. We recognise that successful competitive markets will occasionally see Retailers fail. Accordingly, it is important to provide for Retailer failure such that customers are best protected, and that succeeding Retailers are able to actively participate in supplier of last resort arrangements without taking on undue risk. The risk of retailers being unwilling to take on new customers can be mitigated by creating the appropriate conditions for successful market participants to earn a fair and sustainable return. Once we see the review by DEFRA and Ofwat, the Strategic Panel will decide whether to commission further work in this area.

Programmes of Work

What we will do (deliverable)	How we will do it (also deliverables)	2022/23	2023/24	2024/25
Make recommendations to Ofwat on the REC Review and how best the REC can contribute to delivering priority market outcomes, particularly in relation to existing and future customer outcomes.	Formal response and recommendation on the REC to Ofwat	September-October		
Consider the outcome of Ofwat’s review of the REC and decide whether the Strategic Panel should undertake or commission further work, including reviewing UK utility margins, efficient costs and working capital requirements, and assessing whether further review of credit arrangements and settlement processes should be prioritised.		Winter		
Consider outcome of DEFRA and Ofwat work on Supplier of Last Resort (SoLR) arrangements.	Consider whether to commission further work on SoLR arrangements.	Winter		

Get the Basics Right

Customer bills and market settlement are based on accurate consumption data and there is improved access to data to promote innovation. Align Retailer, Wholesaler and Market Operator processes to improve efficiency and customer value, while recognising that appropriate

variation may be in the customer interest. Get the basics right in customer interactions and communications. Create a flexible and responsive code change mechanism that prioritises the right outcomes.

Rationale for Priority Work Area Programmes

For this market to deliver excellent customer service and water efficiency, accurate consumption data is essential. Without this, customers are billed using estimates, which can lead to future bill shock, can have a poor customer experience, and lack the information to track and use water efficiently. Equally, aligning Retailer, Wholesaler and Market Operator processes improves efficiency and reduces the risk of customers experiencing poor customer service. When aligning processes, it is important to recognise where appropriate variation may be in the customer interest and increase customer choice. Getting the basics right in customer interactions and communications will help drive excellent customer service. The code change mechanism needs to be flexible, agile and timely with targeted stakeholder engagement. It should also prioritise work that delivers the Strategic Panel's priority outcomes.

Getting the basics right is a desirable outcome for the market and therefore one of our priorities. However, it is an outcome upon which our final ambitions of Value Creation, Customer Service Excellence and Water Efficiency is Core all depend rather than a final ambition. In realising our ambition for the market, its customers, and the environment, it's critical that we address the hygiene factors that are blocking that ambition. Poor quality data is a key friction in the market today leading to increased cost for market participants, inaccurate bills, and poor customer service. It also impedes water efficiency as accurate data on water consumption is essential to tracking and incentivising water efficiency. We recognise that effective meters, meter asset health and meter reading processes and technology underpin the delivery and maintenance of good quality data and note the MPC has already introduced holistic reporting on some of these areas. Addressing the causes of poor data has got to be a priority. Smarter metering technology that provides accurate and timely information to customers and market parties is key to achieving excellent customer service, water efficiency and added value. We will provide overall, customer-focused direction and recommendations for data management and the adoption of smarter metering technology, now and in the future, ensuring that the market has clear data targets with clear roles and responsibilities. We will also explore whether open data can be a part of delivering our high-level market outcomes, e.g. by increasing customer use of their market data. As there is considerable work to be done before we can deliver risk-free, meaningful, and accurate data, for the purposes of this paper we have set out our approach to achieving Open Data in the Innovation section. While we review and make

recommendations on the longer-term decisions for smarter metering technology adoption and the future approach to data, we encourage and will look for quick wins to improve the accuracy of consumption data.

Effective competition requires market participants to interact with multiple parties. If those parties use different processes this increases the cost to serve and discourages competition. Importantly, it makes life harder, and adds cost, for customers who interact with multiple trading parties. We will identify opportunities, and barriers, to simplify and align industry interactions to remove unnecessary cost, promote more competition and achieve our market outcomes, while being careful not to stifle innovation. The Bilateral Hub Programme is an excellent example of the ambition that can be realised in this space. We will now consider how to prioritise, give focus and direction to work on tariff structures where this removes barriers to competition and better achieves our market outcomes. While we recognise and agree that effective tariff simplification and harmonisation will remove unnecessary complexity in the market, it is our view that a more holistic, future-proofed review of tariff structures is needed. This will be a significant piece of work, but our aim is to ensure that any review is fully aligned to achieving our priority outcomes for the market.

We note and welcome the fact that the RWG is continuing to work on best practice guides. We see such guides as fundamental to a well-functioning customer-focused market and we believe that now, five years into this market, is the time to get these in place as the norm. We want to understand, as a matter of urgency, the timescales for delivery of these workstreams so that we can best make informed recommendations and/or action on next steps. The Code Change Committee is assessing how to bring these into a framework where compliance could be supported and assessed through approved Codes of Practice. This has certainly been the case in other sectors, where it is recognised as good practice because customer benefit can be tracked and realised. We also want to understand, as soon as possible, the RWG perspective in this area.

Making the processes better will be fruitless if we do not get the basics right in how market participants interact and communicate with customers. Not only does it add to cost and inconvenience – it disengages customers and hampers competition. We will never deliver customer service excellence if the basics are not fit for purpose – we need to be assured that we have done all we can in this space. Our goal is that customers are able to choose their water retailers using information about the quality of customer service, including customer complaints and the way they are handled. We recognise that the way retailers choose to communicate their products may be a unique selling point and a point

of service differentiation. However, some aspects are essential and about protecting customers, such as returning credit balances or providing information about problems or faults, so setting good practice and principles is important. As such, we will support the work by CCW to provide guidance on how to manage customer complaints and communicate on important issues to customers. We will determine further action required, including as part of the Market Performance Framework review to shine a light and provide customers with information when choosing their water retailer.

The same is true for the Market Codes and the codes change process. The Market Governance Review concluded that the code change arrangements and governance at the time did not demonstrate clear value, nor effective governance, and with no clear line of sight to Ofwat and DEFRA’s visions for the market. Market participants have found the Codes complex and difficult to navigate - hardly a structure to encourage meaningful participation and awareness across all segments of the market, and indeed to those contemplating entering the market. However, previous engagement with market participants found no appetite for a major codes re-architecture in the light of the cost and the scale of the task. We note that MOSL’s current business plan focuses therefore on the continued simplification of the market codes through the opportunities afforded through ongoing code changes.

Programmes of Work

What we will do (deliverable)	How we will do it (also deliverables)	Financial Year 2022/23	Financial Year 2023/24	Financial Year 2024/25
The Codes and Code Processes				
Instruct the Code Change Committee (CCC) to undertake a review of the Code Change mechanism to provide for a more flexible and agile service that enables greater prioritisation and timely stakeholder engagement.	CCC review the Code Change mechanism and propose new ways of working and required Code Changes	Q2-Q3	CCC reviews process	CCC reviews process
	Implement new code change mechanism	Q4		
Data and Metering				

What we will do (deliverable)	How we will do it (also deliverables)	Financial Year 2022/23	Financial Year 2023/24	Financial Year 2024/25
<p>We agree with MOSL on the importance, and value of a clear data strategy for the market and commend MOSL for its leadership in this space by publishing its Data Strategy.</p> <p>However, the Strategic Panel is reluctant, at this stage, to form an assumption that the right things are being done without having properly assured ourselves on all available evidence. There appear to be a lot of initiatives trying to improve data quality and a range of interactions with work being done on smarter metering and consumption data, for example, and in the operation and ongoing reform work on the market performance framework. We want to set out clear holistic recommendations, and identify some quick wins, as soon as possible. But we need to be sure we are seeing the whole picture and be clear that we are not adding complexity or missing out some key areas.</p>	<p>Report by MOSL on all current market activities that relate to data (including work on metering and by the Metering Committee), highlighting gaps, duplication.</p>	<p>Q2-3</p>		
	<p>Strategic Panel publishes direction and recommendations for data management. Depending on the work already done, the Strategic Panel may commission a review of good practice in other utility sectors.</p>	<p>Q3</p>		

What we will do (deliverable)	How we will do it (also deliverables)	Financial Year 2022/23	Financial Year 2023/24	Financial Year 2024/25
<p>We view this as urgent but not overly complicated.</p> <p>We will commission MOSL to review all current market activities that relate to data (including work on metering and by the Metering Committee), highlighting gaps, duplication, and interdependencies in order that the Strategic Panel can publish its own cross-market holistic customer-focused direction, outlining roles and responsibilities, for data management and metering. Include a review of good practice in other utility sectors.</p>				
<p>Alongside this work, we will consider reports from the Metering Committee on options for future metering responsibilities and the adoption of smarter meter metering technology.</p>	<p>The findings of these reports will be considered by the Strategic Panel in determining its response to PR24 on the role of smart metering and responsibilities for meter reading.</p>	<p>July 2022</p>		

What we will do (deliverable)	How we will do it (also deliverables)	Financial Year 2022/23	Financial Year 2023/24	Financial Year 2024/25
The Strategic Panel will make recommendations on the way forward, including a road map for smarter metering technology and roles and responsibilities in the market and appropriate “quick wins.”	The Strategic Panel expects to collaborate with MOSL in developing options to improve consumption data, including quick win initiatives such as reviewing responsibilities for legacy long unread meters.	Q3		
<p>In the meantime, as part of the current Market Performance Framework, we are instructing the Market Performance Committee to commence work now for delivery by end of 2022 on setting clear targets and holding market participants to account for:</p> <ul style="list-style-type: none"> • meter data accuracy • settlement accuracy. <p>Meter asset quality is a key risk to delivering the market outcomes, but this will be addressed by the MPF reform.</p>		Q3		
We will instruct the Metering Committee, Market Performance Committee and Code Change Committee to make recommendations to us on no regrets early actions and to prioritise changes that will		Q2-Q4		

What we will do (deliverable)	How we will do it (also deliverables)	Financial Year 2022/23	Financial Year 2023/24	Financial Year 2024/25
improve data quality, assure meter asset quality, or clarify meter-related responsibilities.				
Aligning Retailer, Wholesaler and Market Operator Processes				
We will commission a report on Codes of Practice from MOSL, with RWG support and expertise on the work to date, timelines, risks and deliverables. We will meet with the RWG Chairs. We will, as soon as possible, decide on our actions and recommendations.	Report from MOSL, with RWG support and expertise on work to date, timelines, risks and deliverables.	Q3		
	Strategic Panel meeting with the RWG Chairs and review the outcome of RWG work particularly on leak allowance policies and charging of consumption at vacant premises.	October 2022		
	Code Change Committee to include framework for mandatory codes of practice in its review of the change mechanism	Q2-Q4		
	Make recommendations on next steps and timescales.	Q3		
Review Wholesaler tariff structures to enable our market outcomes of creating value, excellent customer service and water efficiency across the market, while promoting	Strategic Panel meeting with the RWG Chairs and review the outcome of RWG work on tariffs.	Q3		
	Make recommendations on governance, next steps and timescales.	Q3	Delivery: Summer	

What we will do (deliverable)	How we will do it (also deliverables)	Financial Year 2022/23	Financial Year 2023/24	Financial Year 2024/25
<p>competition and reducing cost and complexity to customers and Retailers. Ensure the review simplifies tariffs whilst taking account of valid reasons for variation such as geography and cost-reflectivity. But ultimately, our aim is to see innovative tariffs that support our market outcomes and transparency whereby Retailers and customers can make easy tariff comparisons.</p>	<p>Depending on the work already done, the Strategic Panel may commission further research into tariffs.</p>	<p>Q4 or later</p>		
<p>Instruct the Code Change Committee to prioritise changes that support alignment of industry interactions. We want to see momentum in this area as there is real potential for quality and timely code change to make a difference.</p>	<p>Approved code change recommendations and timely implementation. We will review progress via quarterly Code Change Committee reports.</p>	<p>Work to start now. We will review progress via quarterly Code Change Committee reports.</p>	<p>CCC reports to Panel</p>	<p>CCC reports to Panel</p>
<p>Instruct the Code Change Committee to prioritise changes that support the removal of inefficiencies and unnecessary costs.</p>	<p>Approved code change recommendations and timely implementation. We will review progress via quarterly Code Change Committee reports.</p>	<p>Work to start now. We will review progress via quarterly Code</p>	<p>CCC reports to Panel</p>	<p>CCC reports to Panel</p>

What we will do (deliverable)	How we will do it (also deliverables)	Financial Year 2022/23	Financial Year 2023/24	Financial Year 2024/25
		Change Committee reports.		
Review the current Disputes process to deliver recognised good practice and learning from other sectors.	Report on next steps for Disputes process	Q4		
	Implement new process		Q1	
Customer Service				
In a market that creates value, we expect customers to be able to choose their water retailer using information about the quality of customer service, including customer complaints. We support CCW's work to get the basics right in dealing with customer complaints and disputes between trading parties. This will include a consistent approach across the market. It will cover first tier complaints and company practice as well as second tier complaints and resolution. Good practice necessarily includes systematic processes to address and act on the root cause of complaints.	Complaints Guidance - CCW with Strategic Panel support Following publication of CCW guidance Strategic Panel will decide what further actions or support is required to help shift the dial on complaint handling and customer service. This includes consideration of how these fit with overall market performance in a way that informs customer choice	Q4		

What we will do (deliverable)	How we will do it (also deliverables)	Financial Year 2022/23	Financial Year 2023/24	Financial Year 2024/25
<p>Work with CCW to get the basics right in customer communications, particularly concerning areas that have the potential to cause adverse impact e.g., changes to billing arrangements or returning credit balances. This will include a consistent approach across the market.</p>	<p>Good practice guide - CCW with Strategic Panel support</p> <p>Following publication of CCW research on communication, Strategic Panel will decide what further actions or support is required to help shift the dial on customer communication. This includes consideration of how these fit with overall market performance in a way that informs customer choice</p>	<p>Q2-3</p>		

What we will do (deliverable)	How we will do it (also deliverables)	Financial Year 2022/23	Financial Year 2023/24	Financial Year 2024/25
We will commission work on benchmarking, and measuring, customer services standards in the market against other sectors and recognised good practice. The assessment of customer service may be considered by the review of Market Performance Framework (see the Incentives section below). The Strategic Panel will provide directions and recommendations to the review of the Market Performance Framework and determine any further work needed to meet this goal	Benchmarking/good practice report with recommendations on next steps as part of the Market Performance Framework review.		Q1-3	

Water Efficiency

Market participants and customers are incentivised to use water efficiently. The market enables customer understanding of consumption and treats water efficiency as core business.

Rationale for Priority Work Area Programmes

Achieving the UK's Net Zero 2050 target is seen as a key priority in the market. In terms of the Strategic Panel's role in the non-household market, achieving water efficiency objectives is a fundamental market for achieving our Net Zero goals.

Market participants and customers must be incentivised to use water efficiently – doing nothing is not an option or we risk running out of water. The market has a key role to play in enabling customer understanding of consumption to unlock effective customer engagement in this area. Water efficiency can no longer be seen as an “add-on.” It has to be core to everyone’s business and, if done properly, with a fair price for customers, it can only enhance business success and reputation, and deliver the customer engagement that will drive meaningful competition. This is an ambitious, but entirely necessary agenda. As such, the Strategic Panel has an important role to play in providing focus and direction and making recommendations to enable companies to drive water efficiency. We are aware of ongoing work and projects that could impact water efficiency, but we do not yet know whether the work is aligned and will tackle the scale of change required. As such, we will undertake an initial review of the ongoing work and opportunities to drive water efficiency before defining our work programme priorities. However, we do support ongoing work aligned to driving water efficiency including making effective, timely input into PR24 and directing the MPF incentives. It is also important that Strategic Panel priorities complement the work being done on Water Resources Management Plans in order to give us the right and enduring framework for water efficiency. We will work with and make recommendations to DEFRA and Ofwat on this regard.

Drainage and sewerage are also important issues for the water sector and non-household customers can play a part, e.g. by reducing fats, oils and grease in sewerage systems. However, the Strategic Panel will limit its initial focus to water efficiency as this is likely to have most benefit to customers.

The Strategic Panel recognises that energy prices and carbon emissions are currently a major concern to businesses and that water consumption is linked to these. Many trading parties and customers are already seeking to manage energy consumption and emissions so the Strategic Panel’s focus will therefore be on water efficiency and addressing the risk of water scarcity. In doing so, we expect there will also be side benefits to energy consumption and emissions.

Programmes of Work

What we will do (deliverable)	How we will do it (also deliverables)	Financial Year 2022/23	Financial Year 2023/24	Financial Year 2024/25
Work with MOSL and the RWG to understand the landscape of current work on water efficiency. We will commission a report from MOSL, with RWG support and expertise on work to date, timelines, risks and deliverables. This will include considering whether and if so, how water efficiency is being considered in work on tariffs, the MPF review and Water Resources Management Plans.	Report from MOSL, with RWG support and expertise on work to date, timelines, risks and deliverables.	July 2022		
	Strategic Panel meeting with the RWG Chairs and review of the outcome of the RWG work,	Q3		
Put in place a process to ensure all workstreams embed consideration of water efficiency objectives and outcomes	All Workstreams have a process in place for considering water efficiency	Summer 2022		
We will also consider CCW's research on customers awareness of how people impact water.	Engagement with CCW on how people impact water work	Q1-Q2		
We will work with DEFRA to understand how we can best support their water efficiency objectives.	Meeting with DEFRA to understand better the department's objectives for the sector and how we can best add value.	Complete		
	Ongoing engagement with DEFRA	Ongoing		

What we will do (deliverable)	How we will do it (also deliverables)	Financial Year 2022/23	Financial Year 2023/24	Financial Year 2024/25
We will set out more detailed programmes of work to ensure the direction of travel fits with this priority outcome.	Initial priorities and work programme, including whether we commission a review of insights from other sectors and countries.	Q3		
Ensure that reform of the Market Performance Framework appropriately incentivises market participants to deliver the Strategic Panel’s priority market outcome on water efficiency.	Performance Advisory Group formed to engage and advise on design of target model.	Q1		
	Market Performance Framework Reform report on key elements of target model	Q2-Q3		
	Implementation of MPF		Q1-4	
Incentives around water efficiency will also be a key part of the Panel’s response to the PR24 Draft Methodology and ongoing PR24 involvement.	PR 24 Response	Jul – Sep 2022		
	Continued inputs into PR24 via written outputs and responses	Ongoing	2023	

Get the Incentives Right

Align market participant incentives to drive customer, social and environmental benefits, and value.

Rationale for Priority Work Area Programmes

PR24 will determine the allowed revenues for wholesalers during the next price control period and it is important that it provides the right incentives to wholesalers to drive the benefits for customers. The work on this is detailed above in overarching priorities.

The purpose of the market performance framework (MPF) is to incentivise appropriate market behaviours and it is a key lever to realise the Strategic Panel’s priority market outcomes. As such, we have already reviewed the MPF governance arrangements and decided that the strategic direction of MPF reform should be aligned with our priority market outcomes. The Strategic Panel will take the decisions and, if required, make recommendations, on the target model, the reforms required and the future market performance framework. As highlighted above, we will also consider further work required to create the appropriate incentives but also to meet our market outcomes of excellent customer service, water efficiency and creating value in the market. MOSL has agreed to our request to establish a programme-led approach to delivery, under the leadership of a Programme Steering Group, to ensure that this work is delivered to meet our objectives in a timely, efficient and effective way. We want to see this work develop at pace as it is a fundamental market mechanism in creating the right conditions for a thriving, customer-focused market and MOSL has already established the new Performance Advisory Group to support this work.

Programmes of Work

What we will do (deliverable)	How we will do it (also deliverables)	Financial Year 2022/23	Financial Year 2023/24	Financial Year 2024/25
The Strategic Panel will ensure that the framework provides an efficient and effective future-proofed customer-focused, sustainable commercial environment for market participants that incentivises excellent customer service and innovation and sets the bar on both customer benefits and water efficiency and efficient drainage. MOSL will be responsible for programme delivery. The Strategic Panel will take the decisions and any recommendations required	Quarterly progress reports from programme steering group to the Panel, including a detailed review of the MPF progress in May 2022	Quarterly		
	We will provide a decision or recommendations on the options for a target model for a future market performance framework and direction for the next phase of work on the detailed incentives, including if appropriate learning from other sectors. We will also consider any aspects that can be	Q3		

What we will do (deliverable)	How we will do it (also deliverables)	Financial Year 2022/23	Financial Year 2023/24	Financial Year 2024/25
on the target model, the reforms required and the future market performance framework. We will need to be content that the pace of the work is compatible with the range of interdependencies in our overall priority areas and programmes, and we will, of course, need to be content that the evolving framework does indeed align with our objectives. It is also important that the market performance framework is compatible and consistent with PR24.	implemented earlier in the transition to the target model.			
	We will provide decisions on the options for the incentives		March 2023	
	We will ask the Code Change Committee to recommend code changes to Ofwat, as required, to implement the new market performance framework.		Ongoing	Ongoing
	We will ask MOSL to work with the market on a phased implementation of the new framework.		Ongoing	Ongoing
As above, we will input to PR24 on where MPF incentives best sit in the overall regulatory framework.				
We will review the role and operation of the MPC so that it supports the effective delivery of the reformed MPF, and that it monitors trading party performance in the customer interest and the effective delivery of the MPF going forward.	The timetable for reviewing MPF governance and the MPC will be set out in MPF reform workstream 3.	Q2		
	Report and decision on the future MPC role and operation	TBC		
	Implementation of the new MPC arrangements		2023	

Innovation

Create the right market mechanisms to create new value, making the market genuinely attractive to new entrants and new business models, delivering organic innovation, new customer propositions and environmental benefit.

Rationale for Priority Work Area Programmes

Innovation will not flourish if the market framework and conditions prevent the realisation of the commercial and reputational opportunities that create value for companies, customers, society, and the environment. Unlocking this value and getting the market mechanisms right has to be our focus and, for this reason, as set out earlier, we see the priorities above: getting the money right, , getting the basics right addressing water efficiency and getting the incentives right, as enablers for innovation and therefore they will be prioritised. However, we recognise that this might not be enough for innovation to flourish. As such, our future focus will be to understand the blockers to innovation and learn from other sectors on key enablers, including on the potential role for Open Data. We see Open Data as a potential strategic priority for the sector. We will be open minded in considering this area, noting there are different interpretations of open data, and that the way forward for the water market may, or may not, replicate other markets (e.g. banking). Once we have commissioned this initial review, we will determine next steps and future work plans.

Programmes of Work

What we will do (deliverable)	How we will do it (also deliverables)	2022/23	2023/24	2024/25
We will review the governance of the Market Improvement Fund (MIF). We will also agree the size of, and set the focus for, the Market Improvement Fund to contribute to our key market outcomes and priorities.	New MIF arrangements published	Q4		
We will seek to understand the potential blockers to and the enablers of innovation in the non-household water market and learn from other sectors on strategies to develop the conditions for innovation. This will include understanding the benefits and opportunities for Open Data in other markets and the role it can play in the non-household water market.	A review of the blockers and enablers of innovation in the non-household market, including learnings from other markets and a review of Open Data. The review will take into account work already being pursued by Ofwat or others on innovation.		Q1	
	Determine a future work plan on innovation.		Q2	