

MPF Reform programme

Summary of design and rationale for Transfer Read Key Performance Indicators (KPIs) v2.0

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1. What is this document?

This document is one of a series that sets out the design and rationale for the new KPIs under the proposed reformed MPF. This document specifically pertains to transfer read KPIs, it is a high-level summary referencing discussion and input from the Performance Advisory Group (PAG). Its intention is to provide clarity for wider audiences on the proposals to be taken forward.

Additional detail on discussion is provided in minutes of PAG meetings available on [MOSL's website](#).

2. Engagement history and high-level summary

In 2022 MOSL began a 'root and branch' reform of the Market Performance Framework (MPF), working closely with water retailers, wholesalers, and other stakeholders (e.g. Ofwat, CCW). MOSL has taken a step-by-step approach to reforming the MPF, involving and engaging stakeholders at each stage of the process. MOSL has carried out three consultations to date. The last consultation in September 2023 determined the shape of the MPF model with nine key activities, 21 metrics (Key Performance Indicators), eight financial and non-financial intervention tools and four levels of governance. Following this the programme has moved into the 'detailed design' phase. The focus of this phase is on ensuring the design of the KPIs, application of standards and financial tools and the rationale for the design is right.

At meetings on 1, 15, 29 May and 12 June 2024, MOSL presented the PAG with design proposals for transfer meter reads KPIs. The purpose of transfer read KPIs is to incentivise the swift submission of actual transfer meter readings, taken within proximity of the transfer date (registration start date) in accordance with code obligations under CSD 0202 (see [Associated Code Obligations](#) below). These metrics will support the receipt of an accurate and timely final bill from an outgoing retailer and an accurate starting point for consumption with the new retailer. Good performance against these KPIs also supports accurate settlement, timely billing and alignment between retailers.

Across these workshops, the PAG has been introduced to four KPIs:

- M04: transfer meter reads received, dated within SLA
- M05: transfer meter reads submitted within SLA
- M06: lateness of missing transfer meter reads
- M09: estimated vs actual transfer meter reads

A summary of these KPIs, key features and rationale is provided below.

2.1 M04: proportion of successful transfer reads

To pass M04, the success criteria is (all must apply):

- a) Submission and acceptance of a transfer (T) read (Visual, Remote, Estimate & Customer) in CMOS
- b) Read is dated within the read window SLA i.e. within 2 Business Days (BDs) before the latest registration start date up until 7 BDs after the relevant registration start date (per CSD 0202 section 4.1.6)
- c) Read is submitted within the submission window SLA i.e. within 8 BDs of the date the meter read is taken (per CSD 0202 section 4.1.6)

MOSL will report M04 performance as the % of passed versus all transfer reads expected within the previous calendar month. Penalties are being proposed to apply for every failure (penalty value to be determined), because both actual (read method of Visual, Remote or Customer) and estimated reads are accepted under this metric, therefore there is an expectation that all meters requiring a transfer read should have one submitted and accepted into CMOS. No reward or compensation is being considered for this metric.

There are four fail scenarios for M04:

- a) No read received
- b) Read dated outside of read window SLA (within 2 BDs before the latest registration start date up until 7 BDs after the relevant registration start date)
- c) Read submitted outside of submission window (within 8 BDs of the date the meter read is taken)
- d) Read dated outside of read window *and* read submitted outside of submission window

Only fail scenario (a) will go on to inform the lateness metric, M06, as described in Section 2.3 below.

2.2 M05: proportion of transfer meter reads submitted within SLA

M05 was proposed as a metric in MPF consultation 3 but will no longer be required due to the success criteria which have been set out for M04 – M04 accomplishes the original intention of M05. Nonetheless, performance on M04 can be broken down by SLA so that the Performance Assurance Committee (PAC) can investigate exactly where failures occur (i.e., whether failures are due to submission or read date SLAs).

2.3 M06: lateness of missing transfer meter reads

M06 will capture the lateness of missing transfer meter reads. M06 could have been applied to any or all the M04 fail scenarios in 2.1, however, having discussed options at the meeting on 15 May, taking into account PAG input MOSL will build M06 to **ONLY** focus on a) 'no read received'. This retains the focus on reads which have yet to be submitted - i.e. reads which remain 'missing' – whereas including the other three fail scenarios could disincentivise the submission of reads where read window and submission window have ended. However, the PAG noted that the other three fail scenarios should still be reportable (i.e. dashboard of late transfer reads).

2.3.1 How late is late: When do we make the cutoff?

The PAG noted that the time period for tracking lateness of a missing transfer read requires a cutoff (i.e. the point at which the charges or reporting will stop). A cutoff is required for simplicity and efficiency but also because practically, beyond a certain lateness, a transfer read would be unusable for its intended purpose. Six weeks was considered, in line with the [Customer Protection Code of Practice](#) (CPCoP). However, that would not factor in the time for an outgoing Retailer to incorporate the read into its final bill. It was discussed that the read should be available earlier to allow time for trading parties to absorb transfer reads ahead of the CPCoP deadline. The charges after this *earlier* point should increase to incentivise better behaviour than the minimum standard in the CPCoP and recognise the additional impact that not providing a timely read has on the outgoing retailer.

Therefore, having considered PAG views, MOSL's proposal is to apply a penalty charge per day late from BD 16 after the Registration Start Date up to BD 30 i.e. 6 weeks. In addition, compensation charges would apply per day late from BD 21 to BD 30 (ie. 4 weeks to 6 weeks) after the Registration Start Date.

MOSL proposes to pass the compensation from the incoming Retailer onto the outgoing Retailer. The wider application of penalties and compensation will be informed by consultation 4.

2.4 M09: estimated vs actual transfer meter reads

M09 will track the proportion of estimated transfer reads versus actual (read method of Visual, Remote or Customer) transfer reads. The PAG has considered two options. Monitor:

- a) Only transfer reads that were **expected** within a 'reporting period'
- b) **All** T105.R transactions received within a 'reporting period'

Following consultation with PAG, MOSL will take forward the first option as it provides opportunity to incentivise actual reads without losing the emphasis on the timeliness of reads. Some PAG members noted retrospective amendments to reads can have significant effect on outgoing retailers (i.e. creating a potential inconsistency between final bills and settlement). It was also suggested that timely reads might be disincentivised by encouraging such amendments long after the initial read was received (or expected). It was noted that material adjustments to historic transfer reads could be looked at using the audit process to investigate potential issues in this area.

Additional conversations were held about the window for the KPI and late submission of actual vs timely estimate reads, though these will not be incorporated at this time into the design of M09. PAG also suggested apportioned reads could be used instead of estimates. MOSL considers an apportioned read to be a method of estimating. It requires a cyclic read before and after the transfer date meaning it needs time before it can be calculated. This is likely to impact the ability to enter a timely read that transfers need. For these reasons and as an aim is to increase the number of actual reads, we will not take this suggestion forward.

2.5 Incentivisation

The PAG discussed on how best to incentivise best outcomes for transfer reads and what financial tools would best apply to each KPI. The application of financial tools will be informed by consultation 4.

M04: 1 May 2024: Following discussion with PAG, MOSL proposes that as M04 allows trading parties to submit estimated reads where there is no actual read, there should be a zero tolerance for failure with penalties applying. There is no logic for a reward, noting estimated reads are accepted, and timely transfer reads are standard license conditions. Consumer Council for Water (CCW) opined that rewards should be for going 'above and beyond' and being innovative, not just following standard practice.

M06: 12 June 2024: Having considered PAG views, MOSL proposes should a retailer fail to submit a transfer read 15 BDs days after the registration start date (RSD), that retailer should pay a penalty for every BD thereafter that the read remains missing, up to BD 30 from the RSD. In addition, it is proposed that compensation charges should apply per day late from BD 21 after the RSD up to BD 30. This would incentivise a trading party that had failed to submit a timely meter read to submit a read as quickly as possible, as the charge increases with time. A cap of six weeks was proposed after which no further charges would apply as this is the timeframe set out in the CPCOP and required under the licensing arrangements. Rewards for M06 would be inappropriate as this KPI only applies to activity which has already failed and the MPF should not reward failure.

M09: 12 June 2024: Taking account of input from PAG MOSL's proposal is for rewards to apply to incoming retailers for performing particularly well and obtaining an exceptionally high rate of actual transfer reads (as opposed to estimated reads.) These would be paid for by penalties on other metrics and are not dependent solely on penalty charges from M04 and M06. If rewards are in place for M09, there should be sufficient incentive for trading parties to take actual reads as opposed to relying on estimates thus improving data quality in the market and reducing the risk of retrospective amendments or further issues. Regarding penalties, feedback from PAG was that it would be difficult to rationalise the use of penalty charges under M09 whilst the use of estimates is permitted by code under certain circumstances. However, it should not be ruled out entirely should evidence point towards stronger incentives being

required once all transfer read KPIs have been implemented and had time to take effect. Therefore, whilst the value of charges and performance standards are yet to be set for any KPI, they could initially be set at a level that means any estimates on M09 are not charged.

3. PAG issues raised and decisions rationale on transfer read KPIs

Proposal	PAG issues raised	PAG meeting	Final proposal	Rationale
M04 and M05 combined under re-defined M04	<p>Complexity of the newly proposed M04 (i.e. merging M04 and M05) may trade simplicity for fewer metrics. A merged M04 could be less transparent as it may be more difficult to understand why a failure has occurred.</p> <p>Other PAG members noted the two metrics make up a single successful transfer read so combining was acceptable if underlying data on M04 and M05 was available.</p>	1 May 2024	No change from initial proposal	<p>The newly proposed M04 provides simplicity, and it does not introduce new complexity to retailers. As per code obligations, retailers should attempt to collect an actual read. However, if not possible, it would be acceptable that an estimated read can be submitted to CMOS.</p> <p>It is felt that looking at these together under M04 paints a clearer overall picture of the extent to which the outgoing retailer receives a transfer read. The message is simpler for customers where M04 reports whether transfer reads have been completed successfully. It will be possible to deconstruct this metric so that parties or the PAC can identify supply points where the failure is due to a late read or a late submission. However, this detail is not important to the end consumer.</p>
Extension of the window for transfer read submission	Some PAG members proposed the window for transfer read submission could be extended to allow more flexibility to add customer reads.	1 May 2024	No change from initial proposal	<p>CPW078/CPM020 'Priority Performance Regime Changes for April 2020' implemented on 1 April 2020 extended the submission window for transfer meter reads. Looking at Meter read dashboard data:</p> <p>April 2019–2020 transfer reads by read method:</p> <ul style="list-style-type: none"> • 56.5% estimated reads

				<ul style="list-style-type: none"> • 42.5% visual reads • 0.8% customer reads • 0.2% remote reads <p>April 2021-2022 (post-pandemic):</p> <ul style="list-style-type: none"> • 67.6% estimated reads • 31.1% visual reads • 1% customer reads • 0.3% remote reads <p>This evidence does not support that a further extension of the submission window for transfer reads would significantly increase the number of customer reads for transfer. This will be kept under review as further evidence becomes available under the new proposed transfer read KPIs.</p>
Cutoff for lateness (i.e. the point at which the charges or reporting will stop)	Some PAG members suggested the six-week window should be shortened to give the outgoing retailer opportunity to produce a bill based on the transfer read submitted and increase the chances that this would be based on an actual read	15 May 2024	Change made to initial proposal	A six-week cut-off for charges and reporting will be retained as this is in line with the CPCoP. However, to incentivise better behaviour than this, which would give time for the outgoing retailer to bill, MOSL proposes to apply compensation charges per day late from BD 21 to BD 30, in addition to penalty charges per day late from BD16 after the Registration Start Date up to BD 30 i.e. 6 weeks.
Exclude B5 and C1 bilateral requests from transfer read KPIs	PAG enquired why no exclusions for open Bilaterals e.g. when an open Bilateral request exists should be excluded from the estimated vs actual	12 June 2024	No change from initial proposal.	B5 and C1 bilateral requests will NOT be excluded from transfer read KPIs as they are an edge case* and would introduce an unneeded complexity into the metric design. They occur in less than half of one percent of transfers. Also, estimated readings

<p>B5: Repair or replacement of a faulty meter performed by the Wholesaler</p> <p>C1: Verification of meter details or supply arrangements</p>	<p>metric as likely to be an estimated read. Additionally, where an open Bilateral request is being excluded from LUMs (Long unread meters) and an actual read is entered should this not be noticed</p>			<p>are accepted for M04 and M06. And finally, an open Bilateral request does not necessarily prevent a party taking a transfer read.</p> <p>*In the last 12 months, there were 83,727 switches. 171 of those had an open C1/B5 task against them at the time of the switch (0.2%) and a further 226 had a C1/B5 request raised within 1 month of transfer (0.27%)</p>
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4. Future work

During discussions there was support from some PAG members for an estimation quality metric, noted in minutes of PAG 39, [12 June 2024](#). On the back of subsequent PAG member feedback the programme has taken an action to work on designing a metric on estimation accuracy. MOSL proposes this would be an Additional Metric that can be used for PAC diagnosis of transfer read performance.

Additional Metrics are different to KPIs as they do not attract financial charges, are not anticipated to be used as the basis of public peer comparison, but they can be shared with trading parties and used to inform PAC decision-making.

5. Associated code obligations

The Incoming Retailer must take and submit a transfer read in the timescales defined in [CSD 0202](#) section 4.1.6. The Meter Read Date must be within two (2) BDs before the latest Registration Start Date up until seven (7) BDs after the Registration Start Date and the read should be submitted within eight (8) BDs of the date the Meter Read is taken.

An actual read (Meter Read Method of Visual, Remote or Customer) is expected but an estimated read can be used in certain limited circumstances as defined in [CSD 0102](#) section 2.2.27.

6. More information

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