

Market Performance Framework (MPF) Reform Programme

Consultation 5

Pre-consultation document 1, including:

- Consultation introduction and overview
- Performance standards and adjustments

1. Purpose

This document provides an introduction and overview of MPF Consultation 5, which runs from Monday 17 February until Friday 7 March 2025.

In line with previous consultations, MOSL is giving stakeholders early sight of its proposals to allow time for companies to consider and discuss them with their teams before submitting responses.

To make the documentation more manageable, the proposals have been split into two: Cyclic Meter Reads; and Transfer Reads and overall charging cap. Summaries of the proposals will be provided ahead of the consultation, with supporting information provided when the consultation begins.

All documents will be available in the '[MPF key documents](#)' section of the MOSL website (see below)

Date	Description
Mon 3 February	Document 1: Consultation 5 overview and timeline (this document)
w/c 10 February	Document 2: Cyclic Meter Read KPI summary
Mon 17 February	Consultation opens Document 3: Transfer Meter Read KPI summary + performance cap Document 4: Supplementary info for Docs 2 & 3
Wed 19 February	Webinar
Fri 7 March	Consultation closes
March/April	Review feedback and share responses
w/c 21 April	Face-to-face feedback event, London (details TBC)

2. About the MPF

The Market Performance Framework (MPF) is a key part of the non-household (NHH) market.

The framework focuses on the key aspects of trading parties' operations that affect the speed and quality of service customers receive. It then sets performance levels and monitors how companies are performing against them, using incentives and penalties where appropriate.

The need to reform the MPF was identified in 2021 following feedback from stakeholders that the current MPF was too complicated and not sufficiently customer focused, performance targets were not sufficiently stretching, and incentives and penalties were too small to drive companies' behaviours.

In 2022 MOSL began a 'root and branch' reform of the MPF, working closely with retailers, wholesalers, and other stakeholders, including Ofwat and CCW. The [Business Case](#) was published in December 2023.

2.1. Aims and success criteria

The aim of the MPF Reform programme is to create a simpler, more effective performance framework.

An MPF that:

- Has fewer, more effective, more intelligent measures, focused on areas within a trading party's control
- Is simple to understand, but powerful in application
- Provides confidence in the market at a reasonable and proportionate cost.



Eight key success criteria (above) were developed for the programme from responses to MOSL's 2021 'call for information'. MOSL will provide a view on the extent to which its proposals meet these success criteria as part of Consultation 5.

3. Programme delivery

Proposals to reform the MPF have been developed in five parts, A to D. The proposals that make up each part are developed with members of the [Performance Advisory Group \(PAG\)](#) through a series of meetings and workshops, which were open to other trading parties if they wished to attend.

	Description	Code Change Committee	Ofwat approval*	Go live
A	Governance	Recommended	Implemented (date)	April 2025
B	Non-financial tools	Recommended	Implemented (date)	April 2025
C	Metrics (KPIs)	• BR-Mex metrics	Feb 2025	Mar 2025
		• Phase 1 priority metrics	July 2025	Oct 2025
		• Phase 2 enhancement metrics	Dec 2025	Mar 2026
D	Financial tools	July 2025	Oct 2025	Nov 2025

*Estimated approval date, subject to Ofwat decision

Parts A and B were approved by Ofwat and implemented in November 2024 in readiness for the introduction of the reformed MPF in 2025/26.

This consultation covers aspects of Parts C and D, i.e. the Performance Standards and Performance Charges relating to the Phase 1 priority metrics.

Phase 1 metrics have been prioritised because they cover the scope of the current MPF and/or have related charges. Phase 2 'enhancement' metrics will be developed through dialogue with stakeholders via the Performance Advisory Group (PAG).

4. Consultations to date

The process to reform the MPF has been through a series of increasingly focused consultations:

- Consultation 1 sought feedback on all MPF-related risks, issues, activities and incentives
- Consultation 2 considered a 'long list' of 40+ activities to monitor and 100+ performance metrics
- Consultation 3 determined a 'core' MPF model of 9 market activities, 18 metrics (KPIs), 5 intervention tools (e.g. performance charges) and 4 levels of governance. Other discretionary metrics and intervention tools were also identified.
- Consultation 4 presented the proposed design of the financial tools and incentives, and the principles upon which they were based. Consultation 4 is discussed in more detail below.
- Consultation 5 (this consultation) will present proposals for the performance standards, charging levels and overall charging 'cap'. It is expected to be the last consultation in the process.

5. Consultation 4

Consultation 4 established the design of the MPF's various financial tools, for which Consultation 5 aims to determine the performance standards and charges.

The outputs from Consultation 4 were published in the form of [quantitative results](#), [verbatim comments](#) and a [detailed engagement report](#), including MOSL's response.

5.1. Overview of outcomes

MOSL identified [22 themes](#) from the stakeholders' feedback to Consultation 4. Of these, seven key themes were presented and discussed at a face-to-face event in London in September.

The following changes **were agreed** following stakeholder feedback:

- The principle of a 'cap' on penalty charges was reinstated
- The concept of compensation payments – whereby a trading party underperforming against certain criteria would be required to compensate the impacted party – was not taken forward
- The methodology for determining/modelling the value of charges and standards would be subject to a further consultation
- The MPF programme would include 'shadow periods' during which companies' performances would be measured using the new framework, but charges not yet applied.

It was agreed that the following proposals should be given **further consideration** by MOSL and the PAG:

- Whether the powers to vary (i.e. increase) performance standards to help drive ongoing improvements sit within, or outside, the Market Codes
- Clarification of how outperformance payments would work, including whether companies that have had periods of severe underperformance should be eligible for payments and consideration of 'guarantees' around the level of potential payments to warrant investment by companies.

Consultation 5 includes the proposal that the PAC may vary performance standards outside the codes within an agreed tolerance.

Outperformance payments will not form part of the initial financial model for the reformed MPF.

A proposal to vary performance standards across geographies (i.e. to take into account regional factors beyond trading parties' control) was **not considered practicable within the MPF**. However, the PAC may consider such factors when assessing companies' performances.

5.2. M01 Cyclic Meter Reads

In Consultation 4 several trading parties raised concerns about the proposed design of the M01 Cyclic Meter Read metric. In response, MOSL arranged an additional PAG workshop, which was open to all trading parties, to ensure all concerns had been captured and fully understood.

Following consideration of the feedback, MOSL hosted a [webinar](#) in November 2024 to confirm which aspects would be addressed within the MPF programme, those that need to be addressed outside the programme (i.e. code-related issues) and any feedback that would not be taken forward.

MOSL's Recommendation Report to the Code Change Committee will include details of trading parties' concerns about the proposals. A summary of feedback is available on the [MOSL website](#).

6. Introduction to Consultation 5

Scope of Consultation 5

- Initial performance standards for Phase 1 metrics (listed below), i.e. chargeable metrics
- Performance Assurance Committee (PAC) adjustment of performance standards for metrics (excluding BR-Mex)
- Performance charges for each Phase 1 metric
- The overall performance charge 'cap'

Consultation 5 will invite feedback on whether the proposals

- Are sufficiently stretching as an initial baseline
- Are an improvement on the current MPF's Market Performance Standards (MPS) in terms of protecting customer outcomes
- For the PAC to adjust performance standards is fair and appropriate and the process acceptable

Delivery Phase 1 of the MPF includes nine KPIs, which are grouped as follows:

Metric	Subject	Description
M01	Cyclic meter reads	Cyclic meter reads performed within SLA (bi-annual or monthly)
M02		Proportion of smart meters read
M19		Cyclic non-market meter reads performed within SLA (bi-annual or monthly)
M04	Transfer reads	Proportion of transfer meter reads performed/submitted within SLA
M06		Lateness of overdue transfer meter reads
M09		Proportion of transferred SPIDs with estimated reads
M12	BR-Mex	Proportion of premises' address data accuracy
M15		Average lateness of failed SLAs for bilateral requests
M18		Proportion of SLAs for bilateral requests completed on time

The [BR-Mex](#) KPIs will be used by Ofwat as part of its Business Customer and Retailer Measure of Experience. When the BR-Mex KPIs are implemented in April 2025 they will not have performance standards set against them in the MPF, and the penalty charge will be set at zero*.

Proposals for the Performance Assurance Committee (PAC) to be able to adjust performance standards within a % tolerance (Section 11.1).

It is not proposed that the PAC should be able to adjust performance charges for any KPIs (including BR-Mex), other than deciding whether to increase them by an inflationary figure each year.

7. Design considerations

In developing proposals, MOSL has:

- Considered the context driving the design of KPI
- Recognised trading parties' activity costs
- Estimated market performance, e.g. the market's average and top performances by Retailers and Wholesalers
- Made allowance for an average degree of failure due to factors outside trading parties' control
- Set charges at a level that incentivises trading parties to improve their performance, while considering the impact of total charges at a market level
- Focused on addressing areas of poor performance that are impacting customers and other parties
- Looked for points of consistency between KPIs

* This zero charge will apply to all trading parties measured by these standards, regardless of whether they are included in Ofwat's BR-Mex incentive.

8. Financial considerations

When developing its proposals, MOSL:

- Has sought to recognise the impact of companies' performances against KPIs on customer service.
- Is proposing Performance Standards which, if met, give trading parties the opportunity to avoid any performance charges against a given KPI. Natural incentives and reputational drivers are expected to drive improvements above this point.
- Is incentivising continuous improvement by proposing PAC is given code-mandated authority to adjust performance standards up or down within an agreed tolerance (i.e. 5%).
- Has sought to provide opportunities for companies to reduce their charges (compared to what would otherwise apply through the current MPS charging mechanism) by resolving failures quickly.
- Expects the apportionment of charges between trading parties will be different to the current MPF

9. Anticipated overall impact of changes

The level of charges and way in which they have been applied in the current framework has not rewarded the best performers or sufficiently incentivised the worst performers to improve.

The MPF reform programme has provided an opportunity to rebuild the framework from the 'ground up', with the primary consideration at every stage being the needs of the end customer.

After an extensive step-by-step process, we believe the proposed changes will make an increasingly significant impact on the performance of the market over time.

The proposed performance standards and performance charges are designed to incentivise companies to act. They are not intended to be punitive, nor should they destabilise the market.

It is going to take time and effort by MOSL and trading parties to align to the new ways of working. For the successful transition to the new MPF it is important that there is support for the changes and that the initial financial impact is targeted but sustainable, particularly while new metrics and processes embed.

The reformed MPF draws a much clearer distinction between companies' performances. Those performing well against the key metrics, and therefore delivering across their customer base, should pay less. Indeed, those achieving the performance standard for a KPI will not receive any penalty charges.

Companies not achieving the performance standard will continue to be charged on a per-failure basis. For example, the proposed charges for cyclic meter reads are lower than those which immediately apply at the point of failure in the current MPF - offering a window of opportunity to act and be charged comparatively less - but these charges will repeat and ramp up quickly (over and above current MPS) for companies that fail to resolve failures.

While Consultation 5 will determine the initial performance standards and charges for each KPI, it is proposed that the Performance Assurance Committee will be able to 'raise or lower the bar' over time by adjusting KPI performance standards by +/-5% each year (Section 11.1).

Taken together, we are confident that the combination of changes being proposed to the MPF will make a significant impact on the future performance of the market and the service customers receive.

10. Estimating performance

MOSL has benchmarked the proposals in Consultation 5 using estimated performance data. The figures were obtained by running the KPIs retrospectively using a representative sample of meter read data.

The summary documents for the cyclic meter read and transfer KPIs will include performance data at a market level. Trading party breakdowns will not be provided until the performance model is completed and assured. Trading Parties will have six months of shadow reporting to understand their own performance and expected charges before these KPIs are “live”.

The performance data used to benchmark the proposals is limited because it applies to periods for which the market was operating using different metrics. The data has also been calculated using interim tools rather than full working versions of the proposed KPIs. Furthermore, forward estimates assume performance remains at historical levels. In fact, some trading parties’ performances are expected to improve when properly incentivised.

Consultation feedback is therefore sought to confirm the initial standards for relevant KPIs prior to shadow running of the new KPIs from April 2025. Once shadow running has begun these proposals can be reviewed (before the code change proposals are finalised) in recognition of direct performance data from the final completed performance measurement system.

Following full implementation, the PAC may also adjust standards within a prescribed tolerance outside of code change. MOSL has modelled potential future charges on the basis that trading parties keep doing what they have been doing. If achieved, the proposed performance standards will improve the position of the market compared to today.

We are confident that many trading parties will be incentivised to improve their performance, however, we have not sought to theorise on the trajectory of trading parties’ performance in our modelling.

11. Performance standards

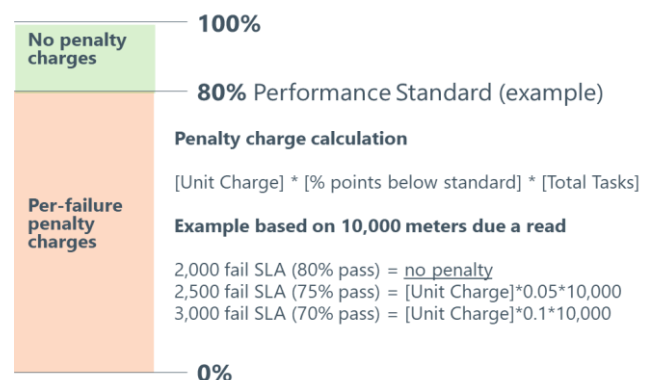
It is proposed that the reformed MPF introduces Performance Standards for some KPIs. Consultation 5 will propose Performance Standards for each KPI.

For companies whose average performance level against the KPI meets or exceeds the performance standard in a given month, no charges will be applied.

Companies performing below this level will be charged on a per-failure basis (as per the example, right).

The performance standard incentivises companies to improve their performance. Setting the target below 100% recognises trading party feedback that some KPIs cannot be achieved for reasons beyond their control; a key point raised during Consultation 4.

Associated feedback that geographical differences in portfolios needs to be taken into account is recognised by the introduction of separate meter reading KPIs relating to internal and external meters and smart and non-smart meters. This ensures that performance in these meter populations is being compared on a like-for-like basis.

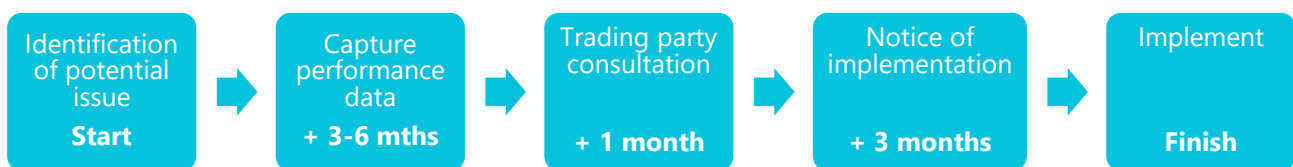


11.1. Adjusting performance standards

To help drive future improvements in the market, it is proposed that the Performance Assurance Committee (PAC) is given code-mandated authority to adjust the performance standards for a KPI up or down by +/- 5%.

Changes greater than this would be subject to separate code changes. The process from identifying the need for change to implementation may take up to 10 months (see below). Once the performance standard of a KPI has been changed, it cannot be changed again for 12 months.

This balances flexibility with certainty of performance expectations, ensuring that performance standards are clear and cannot be changed with undue frequency.



The PAC may wish to increase a performance standard because market performance is low and negatively impacting customers. Alternatively, the PAC may consider market performance to have improved to a point where further incentivisation may benefit the market and its customers.

The PAC may wish to lower the performance standard on given KPI(s) if, for example, it is proving restrictive to market improvement due to the financial impact of high charges on trading parties and/or evidence that the likelihood of the performance standard ever being achieved is low.

Before making any adjustments to performance standards, the PAC would be required to consult with the industry and provide at least three months' notice prior to changes being implemented. Changes will be subject to final Panel approval of a non-code document in which the prevailing standards will reside.

The Market Codes will set out:

- The performance charge for each KPI (expressed as a £ value)
- The initial performance standard for each KPI (expressed as a %)
- The percentage by which the PAC may adjust the performance standard of KPI(s) in a single 12-month period without requiring a code change (proposed to be 5%)
- That performance charges will increase by an inflationary figure each year, unless the PAC decides otherwise. Inflation would be applied before any adjustments the PAC may wish to make to performance standards.

12. Risk mitigation

Consultation 5

MOSL has carefully considered previous consultation feedback and made evidenced and reasoned arguments to the best of its ability. But feedback from stakeholders about the feasibility of proposed standards and charges is crucial for ensuring the new MPF is effective and fair.

Shadow period

A period of operation of Phase 1 metrics without applying charges allows Trading Parties to adapt their systems and people to proposals. MOSL will set out details before the shadow period starts on the evaluative criteria it would welcome from trading parties. MOSL must aim to incorporate any changes to standards or charges from this consultation in line with the shadow period start as the intention is not to adjust these during the shadow period.

Sample data

The proposals are benchmarked using estimated performance data from representative samples of historical data. MOSL has done this to predict potential outcomes and adjust standards and charges accordingly. MOSL will set out the scope of sample data in subsequent documents.

Market level financial modelling

MOSL has modelled charges based on current performance levels to ensure that the proposed standards and charges are financially sustainable and do not destabilise the market.

Retention of the cap

Following consultation 4 feedback from Trading Parties, MOSL has taken on board the importance of the cap as a safeguard against unintended consequences and a stabiliser in the early stages of MPF 2.0.

Code change process

In the case that the shadow period identifies that the proposed charges and standards are significantly inappropriate, the standard code change process or urgent code change process can be used to ensure that customers and trading parties are not exposed at full implementation in November 2025.

PAC amendment to standards

In the case that the shadow period identifies that any of the proposed standards could be improved, the PAC may choose to update the standard within the prescribed tolerance from November 2025 onwards. However, the PAC adjustment to the prevailing figures can be made no more than once in a 12-month period, and adjustments would require a consultation and three months' notice prior to implementation.

13. Information and queries

- Documents relating to the MPF Reform programme are available in the MPF Key Documents area of [the MOSL website](#)
- Please ensure you have [registered](#) to receive regular email updates from the MOSL programme team or updated your preferences as necessary.
- If you have any questions or queries about the MPF reform programme or Consultation 5, please use the [MyMOSL](#) function on the MOSL website to get in touch with the team.

14. Next steps

Date	Topic	Description
Friday 7 March	Consultation	Consultation closes
March/April	Consultation	Review feedback, discuss with PAG, share responses
1 April	Delivery	BR-Mex KPIs go live Phase 1 metrics enter 'shadow period' 'Hypercare' period to support trading parties
w/c 21 April	Consultation	Face-to-face feedback event, London (details TBC)
July 2025	Delivery	Phase 1 KPIs presented to Code Change Committee
July/August	Delivery	Trading party assurance process before Phase 1 go-live
November 2025	Delivery	Code change implementation and Phase 1 go-live

Trading parties are reminded that MOSL hosts a monthly webinar at which it provides updates on the MPF programme, and which are recorded and shared on the MOSL website.

If you wish to receive future invitations, please register on the [MPF mailing list](#).

Any questions can be raised via [MyMOSL](#).

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