



MOSL Board Meeting Flash Results

7 February 2017 (and call 8 February 2017)

The meeting approved membership applications from associated retailers: Anglian Water Business (National), Thames Water Commercial Services Ltd and Affinity for Business, to come into effect at market opening in line with MOSL's new articles of association.

An associated retailer who has not made an application for membership, and which holds a WSSL, will need to submit their application to MOSL before the end of this month (February) to be approved at our next Board meeting on the 7 March 2017.

The Board approved the new entrant membership of Waterscan Limited. The Board did not approve the membership of Advanced Demand Side Management (ADSM), as they have yet to be granted a WSSL, a requirement for membership.

The Board received and scrutinised the monthly Financial Report and noted that projected spend for the year remained well within the budget including the approved contingency budget.

The Board considered and approved new delegated authorities for MOSL as a business to come into effect with the new financial year.

The Board received and considered papers on CMOS defects and Settlement Assurance. Both papers will be published to members.

The Board noted that MOSL has engaged Custerian, to create a standardised customer journey model; and is also undertaking some high level market segmentation activity. The Board noted MOSL's intent to create a standardised template that can be used to aid discussions around defects, issues and changes in the live market and bring the language of the customer into the central operation of the market. In the first instance the Board noted MOSL's intent to create a 'heat map' of defects ahead of market opening.

The Board met with PWC, which was engaged to report to the Board on MOSL readiness and CGI ahead of its discussions on the proposed Letter of Assurance and were reassured that the required activities were broadly on track to open the market on 1 April.

The Board reviewed the MOSL Letter of Assurance put forward by the Executive, and reviewed by the Audit Committee; and met the following day by conference call to discuss the review of Market Participants' own Letters of Assurance and concluded that there was no fundamental barrier to the market opening on 1 April 2017. The Board has highlighted the following issues for Defra to consider in making their recommendation to the Secretary of State:

The Board has identified the following matters which have had, or are expected to have, a significant impact on Market Operator Services Limited's achievement of readiness for retail market implementation and has set out associated action plans for mitigation/recovery.

1. MOSL will not have fully accepted the Central Market Operating System (CMOS), being delivered by CGI, ahead of market opening. CMOS will be carrying multiple defects (currently 216) into the live market. 'Many defects have been fixed and the clearing of defects has been prioritised to minimise the impact on customers and settlement values. Market participants have accepted the level of defects, subject to delivery of Release 2.3 and 2.3.1 of CMOS, and have accepted the need to operate manual workarounds (currently 79) until the remaining defects are resolved with the deployment of Release 2.4 in June/July 2017. This is evidenced by market participants' own letters of assurance. There is a risk that additional defects will arise between now and market opening that lower confidence in CMOS readiness or imposes greater cost and risk on the market.
2. Late system-impacting changes arising through finalisation of the market codes and companies' strategies pre-market carries an increased risk to market opening. MOSL continues to work with market participants, via Portfolio Managers, to manage this risk and takes comfort from the assurances received from Ofwat that no systems-affecting changes will be agreed prior to market opening.

The Board wishes to highlight the following matters which have had or are expected to have a significant impact on the implementation of the retail market as set out in the overall programme.

1. To date, during the shadow market, there has been limited testing by market participants, especially new entrant retailers, of the new market processes (e.g. switching, gap sites, interim supply, first/last resort arrangements) to prove customer management processes across wholesale boundaries and existing retail portfolios.
2. Several retailers have raised concerns regarding the multiplicity and usability of web portals and wholesaler processes that are required to resolve customer issues across the English market.
3. MOSL has presented and received member approval for its 2017/18 business plan, that is predicated on a two-year period of market commissioning (People, Process, Systems and Data) in which issues are expected as the market matures. It is assumed that the market will achieve steady state in the third full year of operation.
4. The extent to which market participants have corrected errors in their data that is held within CMOS is unknown, with some participants fixing data on demand. Fixing of data in the live market may impact customer journey and increasing the workload across the market.
5. 'Day 1' switching volumes are currently unknown and significant levels of switching could put significant pressure on new market systems and processes within MOSL and across market participants leading to a sub optimal customer experience for early switchers. It is further

unclear as to whether retailers will use the pre-switching window (6 March to 23 March) to pre-register customers ahead of the retail exits of incumbent water companies for fear of disclosing their hand.

6. Market participants are operating a high volume of workarounds due to readiness of their processes/systems which, in addition to the highlighted CMOS defects, may be a strain on new operational teams and the ability to accurately maintain market data.
7. There is a risk that market participants do not upload all eligible premises and the data set may contain incomplete or default data, impacting the quality of some customers' initial market experience.
8. The decision to defer signing of key market documents from January until March heightens the risk of a delay should new issues be raised late in the process.
9. Consideration needs to be given to the role of the Open Water Programme partners (Defra, Ofwat and MOSL) in overseeing the early developments of the market to ensure that the benefits to customers are realized; and that market governance arrangements effectively and efficiently protect customers and build confidence in the new market.
10. There remains a significant volume of work to be completed by the Open Water Programme partners in the remaining eight weeks of the programme to open the market on time; and a need to provide greater visibility and build certainty within market participants that all required actions will be completed on time.