

**MARKET OPERATOR SERVICES LIMITED**

Minutes of a meeting of the board of directors held at the offices of Addleshaw Goddard LLP, Milton Gate, 60 Chiswell Street, London, EC1Y 4AG on 17 August 2016 at 10.30 a.m.

|               |                     |                         |
|---------------|---------------------|-------------------------|
| Present:      | Andrew Pinder (AP)  | Chairman                |
|               | Ben Jeffs (BJ)      | Chief Executive Officer |
|               | Margaret Beels (MB) | Independent Director    |
|               | Peter Bucks (PB)    | Independent Director    |
|               | Peter Simpson (PS)  | Undertaker Director     |
|               | John Reynolds (JR)  | New Entrant Director    |
| In attendance | Steve Lyon (SL)     | Finance Director        |

**1 Preliminary**

- 1.1 A quorum being present, the chairman declared the meeting open.
- 1.2 The chairman reminded those present that the meeting had been duly convened to consider and, if thought fit, approve certain proposals in relation to minutes of the last meeting, business programme update, finance report, letter of Assurance, Business plan principles and assumptions and supplier update.
- 1.3 As required by section 177 Companies Act 2006 and the articles of association of the Company each director present with an interest in the proposed business declared to the meeting the details of the nature and extent of that interest.

**2 Minutes of the last meeting and action log**

The minutes of the last meeting were approved and the open matters were discussed and acknowledged.

**3 Business Progress Update – including: Progress report update, CMOS verbal update, Risk register and dashboard and market engagement paper**

- 3.1 The Board noted that the change in status of the programme from red to amber has caused companies to challenge the rationale, claiming that MOSL have ignored the impact that our delays have had on their programmes. The Board noted the shift in focus to participants was appropriate as the software has now been delivered and although there is still significant work required to be ready for Shadow market there is an achievable plan in place to deliver it.
- 3.2 The Board were pleased that at the Wholesale workshop held at Water UK, wholesalers confirmed there were no significant barriers to Shadow opening and noted the residual concerns that were raised regarding the quality of the Market. The output of the Workshop is to be shared with the Programme through RMOMG. Two key risks were highlighted: Potential impact of a water quality incident and the Volume switching activity on day 1.
- 3.3 It was noted that MOSL is preparing guidance to companies on areas that Wholesalers and Retailers should be carrying out further testing during the shadow market, in order to prove their ability to discharge all of their responsibilities under the codes (e.g. operational terms).

- 3.4 The Board noted readiness for market operation is slowing with an increasing number of requests for MEA testing to be put back, and progress on data iteration 3 slowing down, with fewer companies hitting their planned dates.
- 3.5 The Board noted that activity in the market participant 'sandpit' had further increased during the month, with 2.6 million events having now been performed. However, analysis at a Company level identified that many of the events/transactions performed are at the simplistic, rather than the complex, end of the spectrum, with few companies testing market transactions.
- 3.6 The Board noted challenges market participants were experiencing due to MPS reliability and requested action to be taken. Management will continue to raise this critical issue with CGI and continue to monitor CGI performance and penetration testing.
- 3.7 The Board noted the lack of space at High Holborn was impacting day-to-day operations and approved additional draw down of contingency of £140k to expand into recently freed up adjacent space in High Holborn.
- 3.8 In response to the CEO update from the RMOMG, the Board agreed that MOSL's obligations do not include raising customer awareness.
- 3.9 The Board highlighted the positive feedback from retailers around MOSL facilitation of the Market Mixer **(Action SL to invite the Board)**

#### **4 Finance Report**

- 4.1 The Board discussed the financial report and explanations for the variances to budget for the month of August were presented.

#### **5 Letter of Assurance**

- 5.1 The Board reviewed a draft of Section 4 of the Letter of Assurance and agreed that, save for highlighting that business plan funding and agreement of members to align the Articles of Association to the Market Arrangements Code was yet to be secured, MOSL is unlikely to raise any significant risks to its readiness for market opening in April 2017. The Board approved a number of issues to be highlighted to the programme for their consideration. The Board will continue to keep this under review leading up to signing of the Letter of Assurance. **(Action SL to provide timeline for LoA completion)**

#### **6 Business plan principles and assumptions**

- 6.1 Following on from the July Board meeting the Board reviewed the Business plan principles and assumptions letter to be sent to market participants for consultation and requesting information on which the business plan will be built. The Board agreed there are a number of unknowns and uncertainty around future volumes and that the letter should request participants confidentially share their expected operational activity and level of pre market switching.

#### **7 Supplier update**

- 7.1 The Board reviewed the contractual milestones with CGI and requested further information around the CGI plan to recover delayed milestones and be ready for Shadow market. **(Action BJ to update the Board on revised plan)**

**8 Closure of the meeting**

There being no further business the Chairman closed the meeting.

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Chairman