

Meeting Note

Market Performance Committee Meeting (MPC10)

31st January 2018 | 10:30 – 15:30

Held at MOSL Office, Monument, London EC3R 8AJ

Status of the Minutes: Draft

MEMBERS PRESENT

Nigel Sisman	NS	Independent Chair	Natalie Round	NR	Wholesaler Committee Member
Simon Bennett	SB	Wholesaler Committee Member	Katy Spackman	KS	Retailer Committee Member
Mike Brindle	MB	Retailer Committee Member	Jesse Wright	JW	Wholesaler Committee Member
Don Maher	DM	Wholesaler Committee Member	Clare Yeates	CY	Retailer Committee Member
Trevor Nelson	TN	Retailer Committee Member			

OTHER ATTENDEES

Lauren Mullholland	LM	MPC Secretary	Katie Trewhella	KT	MOSL Representative
Michael Robertson	MR	MOSL Representative	Steve Arthur	SA	MOSL Representative
Meritxell Saura	MS	MOSL Representative	Rob Curry	RC	MOSL Representative (part meeting)

APOLOGIES

Stephen Beddoes	SBd	Ofwat Observer
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1. Welcome and Introductions

Purpose: For Information

- 1.1. The Chair began by welcoming the members of the Market Performance Committee (“Committee”) and convened the meeting.
- 1.2. The Chair advised the Committee of the Panel’s recommendation to extend their membership tenure for an additional six months, during which time the Committee will review and update its Terms of Reference
- 1.3. The Chair relayed to the Committee recent communications from Ofwat regarding the proposed Retailer missed meter read MPS threshold. The Chair stated that there was scepticism on the current evidence for introducing such a measure, and Ofwat has suggested the option of decoupling the financial aspects from the others changes.
- 1.4. The Committee agreed to keep the change proposals as a single package, but noted that the feedback would be used to make a final decision on the threshold level and ensure evidence and rationale are included in the final recommendation.

2. Minutes and Outstanding Actions

Purpose: For Decision

- 2.1. The Committee agreed the minutes from MPC09.
- 2.2. The Committee agreed to leave A08_03 open, with MOSL presenting the charts at the MPC11.
- 2.3. The Committee agreed to close A08_04.
- 2.4. The Committee agreed to close A09_03.
- 2.5. The Committee agreed to close A09_08 as this action is covered in agenda item 7.
- 2.6. The Committee agreed to leave A09_09 open for discussion at MPC11.

3. Assurance

Purpose: For information

- 3.1. MOSL presented the history of MPS testing since the shadow market. MOSL first received a version of reports in September 2016 where UAT was very limited with very base scenarios. Defects were raised and fixes applied but MOSL did not have access to DB layer at the time to build a reference model.
- 3.2. MOSL described the various stages of testing that have been ongoing and the methodology behind the testing. MOSL are currently working through 200 test cases and each scenario is being compared against the LVI to determine pass or fail. MOSL also have a daily triaging of observations with updates made on a weekly basis.
- 3.3. Market participants can take two approaches. Local comparison would have TPs compare their local reports to the MOSL reports, investigate the delta between the reports and report back to MOSL if it is believed that it is a defect on MOSL’s side. TPs are encouraged to investigate first before uploading onto defect log. The other option is functional testing.

- 3.4. Updated reports will be issued each Monday following any defect fixes being applied. Only the last three months will be run unless a defect only effects a period prior to this. The focus is on the new version of the reports as MOSL are assuming this is going ahead. If the charges don't go through, MOSL will retro fit the old standards to the new.
- 3.5. MOSL stated there are five outstanding defects with 35 having been raised over the testing period. A member asked what the magnitude of these defects were and MOSL replied they are not believed to be significantly material.
- 3.6. MOSL stated that passing the 200 tests should provide the confidence to accept the system. It wouldn't be creditable to say that MOSL have tested everything but the bar has been set higher than with most technology releases. MOSL reported that the test programme will be completed on 23 February and the outcomes will be communicated to MPC.
- 3.7. The MPC agreed that it would have a telco on 26 February to explore the outcomes and consequences of the testing program. This telco is scheduled for the day before the anticipated Panel meeting is expected to decide upon the CPW030 and CPM008 recommendations to ensure that the Committee's final assessment can inform the Panel's decision.
- 3.8. The Committee noted that no acceptance criteria had been defined. MOSL will perform the assurance on the overall architecture and the end-to-end process from data extracts to report production and invoicing. Furthermore it was agreed that the MPC would have an expectation that the new MPS, including all aspects associated with charging, should be introduced unless the MPC identifies material deficiencies.
- 3.9. A member raised a particular question on the detailed calculations of number of tasks, the determination of failures at the different Time Parameters and the application of thresholds for MPS18/19.
- 3.10. The Committee noted that calculations need to be considered from two perspectives. Firstly if there are material issues associated with interpretation of the way the standards have been implemented. The intention is that this will be mitigated by encouraging Trading Parties to identify concerns and for these to be explored with the Performance Team. If defects are found then these will need to be remedied before go-live and would need to feature if the assurance report to MPC on 26 February. Secondly if some of the 200 test cases have been identified and calculations proven. MOSL was encouraged to identify examples for each test case and to seek that the calculations have been appropriately conducted. It was suggested that test cases should be verified by Trading Parties. The extent of an unfound test cases and those were examples have been identified but not proven should be provided to MPC on 26 February.
- 3.11. A member asked what is planned should a material defect be found after the onset of charging. MOSL noted that this hasn't been formally documented yet. A process will be put in place which sets out what will happen if a defect is found. Manual steps can be taken if MOSL know of a defect in advance. The Committee noted that this increased flexibility is a benefit on moving to the inhouse system.
- 3.12. The Committee noted that the priority must be to properly to test the reporting before implementation so as to minimise the risk of problems post go-live hence the emphasis necessary to ensure that the test programme is completed in a timely manner.
- 3.13. A member questioned the potential risk to the new system from upcoming CMOS releases. MOSL stated that there has not been a formal analysis of possible impact, but that those developing the system work closely on the CMOS updates and the testing approach will consider the CMOS releases as well via regression testing.

3.14. A member raised the suggestion of testing being timestamped, which MOSL agreed to implement.

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3.15. The Committee agreed that any Trading Parties who have not been involved in the testing process, but which want to, needed to get involved imminently, or accept the conclusion of Trading Parties who have been actively involved. It was noted that Trading Parties are testing on behalf of their organisation and so cases that may be specific to a few Trading Parties are less likely to be thoroughly tested by a Trading Party unless they have been involved with the testing processes.

4. New MPS Reporting Data

- 4.1. MOSL presented MPS Reporting Data for the proposed standards based on its new reporting solution
- 4.2. Wholesaler charges were relatively stable from September to December, with all but two not hitting their cap. The exception to this was November due to this being the first period for monthly missed meter reads. It was noted that there could be a spike in charges every six months.
- 4.3. Retailer MPS performance showed a pattern of the same four to five Retailers have significantly better performance than the rest and are not exceeding the cap (excluding November). The remaining Retailers' performance are significantly outside of the 'active range' of the financial incentive (i.e. hitting their cap).
- 4.4. Retailer charges are dominated by missed meter reads, with a large range in success rates. It was also noted that there was high variation between Trading Parties in charges accrued from non-missed meter read standards.
- 4.5. Some of the Committee noted that the poor performances observed should not be regarded as the performance levels to be seen in the future. It was noted that many participants are still improving data quality in CMOS and that the effectiveness of the incentive properties of the MPF would be unknown until MPS charging commences.
- 4.6. The Committee noted that there are only two months of reports including biannual meter reads, and that any clear trends or performance averages could therefore not be identified yet.

5. Policy Decisions

MPS18/19 Time Parameters

- 5.1. The Committee discussed the reset time parameters used in the new MOSL reporting system for cyclic meter reads.
- 5.2. MOSL explained that the current design resets according to the success criteria and not on the first non-zero charging criteria. It was noted that this interpretation results in a higher maximum potential annual charge than a reset based on the first non-zero charge time parameter. The Committee agreed the higher exposure had not been agreed upon by the Committee.
- 5.3. A Member suggested that each applicable standard be split into two, one reporting SLA success and the other for calculating charges. The Committee noted that this might be considered a late structural change to the structure of the performance regime. MOSL suggested it could be kept as one standard, but cautioned that Trading Parties may find the reports harder to trace due to two differing cycles.
- 5.4. The Committee agreed that the reporting logic for MPS 13,14,18 and 19 will be amended to reflect the charging intentions of the current CSD0002 provisions, namely that the reset would be associated with the first non-zero

charge time parameter i.e. 40 and 160 Business Day Time Parameters for the monthly and twice-annual read meter classes respectively.

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Principle Decisions

- 5.5. The Committee discussed feedback from the Consultation seeking refinements to the changes being proposed.
- 5.6. The Committee noted feedback from a Wholesaler on the equality of lowering Retailer and but not Wholesaler charges. The Committee agreed that due to the extremely large disparity in number tasks submitted by Retailers vs Wholesalers that it remained appropriate to maintain different charging levels, at least for an initial period of charging as a vehicle to improve the incentive properties of the incentive.
- 5.7. The Committee discussed feedback that suggested there could be double-counting of failures across standards. The Committee, however, agreed that there was merit to retain the two separate standards and that the incentives are appropriate but could be considered in later reviews should practical steps to rationalise the standards be identified. The Committee also noted that the cited activities were not material in volume but that the orderly functioning of the market and accurate settlement would be enhanced by high levels of performance in these activities.
- 5.8. The Committee discussed feedback on lowering MPS1/2 charges and whether it was necessary for low volume but potentially high market impact activities. A member noted that the purpose of having differing levels of charge was to take market-impact into account and that this would be better resolved by increasing the level charge in the future. The Committee also noted that there was a high success rate for these standards and increasing charges would serve to lower the active performance range.
- 5.9. The Committee noted a lot of feedback was on topics which will become part of standard MPC meetings when the MPS review is complete and the Committee looks at broader analysis of Market Performance.
- 5.10. The Committee agreed to not change any principles of the recommendations and, whilst all feedback should be considered on its individual merits, the Committee noted that there was majority agreement with each question in the consultation.

Threshold

- 5.11. The Committee noted the strong support for a threshold on Retailer missed meter read standards in the consultation from both Retailers and Wholesalers, with only three respondents opposed to a threshold of any level. It also noted there was widespread industry agreement that is not possible to read 100% of expected meters each month.
- 5.12. The Committee discussed feedback from the consultation giving evidence for a modest change in the threshold. Several Committee members indicated they would have supported a move to a 93% threshold but, in light of feedback from Ofwat, did not think that the evidence provided was sufficient to justify a lowering of the acceptable meter reading performance threshold would be appropriate.
- 5.13. A Member suggested a future proposal to add a flag in the system when there is an 'uncontrollable' reason for a missed meter read. This would mitigate the need for a threshold and give the effect of required 100% for meters which can be read. However, another Member warned that this could stop competition for any customers with issues if they're flagged. It was also noted that firstly there could be difficulty with Wholesalers and Retailers agreeing whether a meter is readable and secondly, that such an initiative would require CMOS changes and new processes associated with identifying "uncontrollable" meter reads.

- 5.14. A Member noted that, particularly if the performance charge regime features a 100% success criteria, then Trading Parties might be disincentivised to compete for customers (i.e. SME) with data problems or missed reads as there is likely to be a wholesaler action that is required. The Member also noted that Associated Retailers will possibly have declining performance as competing Retailers target customers with lower costs-to-serve.
- 5.15. A Member suggested that the threshold could be implemented as an interim measure whilst the market is in its very early stages.
- 5.16. A Member raised whether the threshold would be calculated on org ID in cases of mergers. MOSL stated and the Committee noted that the threshold will be calculated per system ID.
- 5.17. The Committee agreed that there is not enough evidence to move the threshold from the 95% proposed in the consultation, but that it should be subject to constant analysis and review.

Suspension of charges

- 5.18. The Chair stated, and Members supported, it would not be appropriate to recommend a suspension of charges for any reasoning other than assurance not being satisfactory for the new reporting system.
- 5.19. A Member suggested the possibility of having deferred payment of charges if and until the assurance process is concluded satisfactorily, with charges being backdated once satisfactory assurance had been met. However the Committee's aspiration remains that the recommendation will involve charging being introduced from 1 April 2018 and that invoices would be raised for payment against normal timelines.
- 5.20. A member raised whether a quantifiable measurement for passing or failing the assurance process and, if so, the Committee should decide what that could be.
- 5.21. The Chair expressed a view that industry conclusions from the testing process should be reported to the Committee.
- 5.22. A member noted that there could be assurance issues that are to do with code interpretation rather than calculation, and these would not be picked up by MOSL internal testing. The Committee agreed that material differences in CSD interpretation would be a cause for suspension of charges, but that this is something Trading Parties need to identify and raise with MOSL.
- 5.23. A member suggested that middleware providers could be leveraged to help with testing. MOSL were asked to consider whether this approach could be used particularly if more Trading Parties did not come forward to get involved in the detailed testing program.
- 5.24. The Committee agreed that individual trading parties are not responsible for assuring the whole industry but that wider participation would be beneficial.
- 5.25. The Committee noted that issues need to be raised before the 23rd of February. The Committee stressed the desirability that Trading Parties conduct their own testing prior to that date.
- 5.26. The Committee discussed drafting a template urgent code change with suspension, in the case that specific MPS fail assurance prior to Panel – it was decided that the most effective, and expedient, approach would be to include the concept of a time limited suspension of a subset of standards in the CPW030 legal text. The CPW030 legal text can proceed to Panel with the relevant text square bracketed. The Committee can then determine its recommendation at the 26 February telco, after receipt of the testing program outputs. Panel can then be advised of the Committee's recommendation as to whether the square bracketed text (if any) needs to be

retained in the legal text that will proceed to Ofwat for its decision. If the text is needed then the Committee will recommend to which standards and for which period the extended charging suspension might apply.

6. Legal Drafting Review

- 6.1. MOSL presented the comments in the consultation which it had not included in the revised legal drafting. The Committee explored these and agreed the approach to be adopted. This included:
- Combining the threshold for MPS18/19. This was rejected due to it resulting in an increased threshold overall and this was a change to the principle of the proposal
 - Adding a plan for the rectification of funds should defects be found after April 2018. The principle of this was not rejected but the Committee might need to develop a plan for this at future meetings.
 - Using part, or all, of the charges pots for market improvement measures. The Committee is open to reviewing this at a future date, but it did not form part of the Committee's consultation.
 - Amending part of the Late Submission / Missed Meter reads standards so that an on-time missed meter read does not incur a missed meter charge because of a late submission. The Committee agreed that this situation can occur but rejected an amendment as it incentives desired behaviours in the market.
- 6.2. MOSL presented the updated red-lining and noted the largest change is the addition of extra detail on the descriptions of the methods of charging.
- 6.3. The Committee discussed how they should respond to the industry on consultation feedback. A Member raised the idea of a general comment at User Forum with an encouragement to contact the Committee if they wished to discuss responses the Committee did not incorporate into the change proposal. It was agreed that a log would be prepared of all future items captured for later consideration. This will be published so that respondents can identify if they believe any of their feedback has not been appropriately treated.

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7. CPW030 and CPM008 next steps

- 7.1. MOSL agreed to further develop the recommendation report and send to Committee members on Friday 2nd February
- A10_04
- 7.2. The Committee agreed to provide feedback to MOSL by close of business Tuesday 6th February, and MOSL will aim to return the updated document and rejection matrix Wednesday COB, or midday Thursday 8th February in the case of extensive feedback.
- A10_05
- 7.3. The Committee agreed the aim to sign off all final Panel documents on Friday 9th, with MOSL to organise a skype conference at 2pm.

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- 7.4. The Committee agreed to have an additional skype meeting on Monday 26th February at 2pm to decide whether to ask for a suspension of charges and if so, for which standards and for which duration.

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- 7.5. The Committee agreed that the documents going to Panel would be the recommendations report, revised legal drafting, consultation response, change proposals – MOSL to submit no later than 13th February

A10_08

8. MPC Forward Agenda

Purpose: For Discussion

- 8.1. The Committee agreed to progress its consideration of OPS standardising, assurance and potential charging – JW to update at MPC11 (February).
- 8.2. The Committee discussed reviewing the Market Performance Committee Terms of Reference and cross checking with codes. The Committee is also to consider the issue of tenure for Members with a view to making a recommendation to Panel via revisions to the draft ToRs. An initial discussion to be held about how the ToRs should be amended should be included on February MPC Agenda.

A10_09

- 8.3. MOSL agreed to provide the Committee with high level summary of the current Committees and Working Groups and where their remits lie and overlap, particularly with relation to the MPC. A member suggested the greater communication with other Committees may also be useful on this issue to determine where primary mandates lie.

A10_10

- 8.4. The Committee discussed future work on Market Performance analysis and suggested a number of potential priority areas including settlement runs, market inefficiencies and barriers to switching. MOSL will establish its view of the top priority areas, and provide its insights on specific activities for the next year, for Committee consideration as part of the development of the Market Performance Operating Plan.

9. Market Performance Operating Plan

- 9.1. MOSL presented an overview of the scope of the Market Performance Operating Plan (“MPOP”), and noted that it was likely to recommend prioritisation of four or five key issues for the year. The aspiration will be to deliver deeper analysis to support the development of potential market performance enhancing solutions.
- 9.2. MOSL stated that the MPOP will seek to build on areas in the Business Plan, and develop them in further detail.
- 9.3. The Committee discussed the issues around identifying the areas of the market which require the greatest priority, and which of these areas would fall under the primary remit of the Committee.
- 9.4. The Committee noted that whilst it will always have a base watch of the Market Performance Framework, the conclusion of the standards review should mean that the Committee’s agenda can move to include higher level analysis and insight into issues and problems in Market Performance.

- 9.5. MOSL agreed to feedback a shortlist of focus areas for the MPOP to the Committee
- 9.6. MOSL stated that they aim to finish the draft MPOP in the next three weeks, and the MPOP will feature on the agenda for MPC11.

A10_11

- 9.7. A member asked whether MOSL could also provide a report into any year one market trends, MOSL agreed to this in conjunction with developing the Annual Market Performance Review – to be discussed with the Committee in March or April.

A10_12

10. Any other business

Actions:

- A09_09 The Committee to progress consideration of OPS charging.
- A10_01 MOSL to implement timestamp on testing
- A10_02 MOSL to amend reporting logic for MPS 13,14,18,19
- A10_03 MOSL to prepare log of all matters from consultation to be addressed in upcoming MPC work program
- A10_04 MOSL to send updated recommendations report to Committee by Friday 2nd February
- A10_05 The Committee to provide feedback on recommendations report to MOSL by Tuesday 6th February
- A10_06 The Committee to sign off on final Panel documents on Friday 9th February
- A10_07 MOSL to organise Skype meeting on Monday 26th February to discuss assurance
- A10_08 MOSL to submit documents to Panel by Tuesday 13th February
- A10_09 MOSL to provide high level summary of Committees and Working Groups and their remits
- A10_10 MOSL to provide high level summary of Committees and Working Groups and their remits
- A10_11 MOSL to present draft Market Performance Operating Plan to Committee
- A10_12 MOSL to develop first year market trends report

The next MPC meeting is scheduled for: **28 February 2017, 10:30 – 15:30, at:**

MOSL
4th Floor
16-18 Monument Street
London
EC3R 8AJ

The nearest tube stations are **Monument, Bank and London Bridge.**

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