

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 16 November 2016 at 10.32 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
	Lucy Bridge	Addleshaw Goddard LLP

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 update, finance update paper, data visualisation, articles of association and business plan and budget review/approval.
- 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

- 2.1 The minutes of the last meeting were approved subject to formatting
- 2.2 The Board discussed the appointment process for the market auditor and note a recommendation from the Audit committee would be presented to the Board in the December. **(Action JR)**

3. Business progress update – including: progress update report, risk register, market engagement paper and market company readiness report

- 3.1 The Board noted on settlement that:
 - the P1 settlement run for November, R1 settlement report for October and P1 settlement report for December have been successfully run with no major issues emerging;
 - weekly calls and surgeries are in place and we are starting to receive positive feedback on settlement values from portfolio managers; and
 - the exceptions reports generated by MOSL's new settlement checker tool have been well received by market participants and feedback is highly positive.
 - Further work is required to mature the settlement checker to automate the process and increase the capability of the analysis including adjusting the thresholds to a minus level to support smaller companies in identifying exceptions.

- 3.2 The Board reviewed the performance issue that was experienced this month by users of the low volume interface and noted that CGI has added both CPU and memory as a short term fix. A combined team of MOSL and CGI are working on a longer term redesign of the web application that will provide an enduring improvement in performance.
- 3.3 The Board noted the Ofwat Wholesale and Retail Code and Market Arrangement Code consultation has been issued and that MOSL are preparing its response.
- 3.4 The Board noted that user acceptance testing has still to be completed and that this was now long overdue. The Board also discussed market participant feedback around release planning and the importance that is being placed on the R2.3 release at the end of January. The Board agreed that CGI UK President, Steve Thorn, should be invited to the December Board meeting to update the Board on the close out plan and ongoing service improvements.
- 3.5 The Board highlighted a risk that any potential delay in the release 2.3 would impact market participant readiness as would not allow them enough time to complete their testing and obtain the required assurances ahead of their final letter of assurance.
- 3.6 The Board discussed any further releases that may be required following market participant feedback that a release close to market opening would not be desirable, even if clearing defects that currently require workarounds. The Board noted the requirement from the market participants for a predictable and stable level of functionality ahead of market opening.
- 3.7 The Board requested that the MOSL requirements for the final letter of assurance be presented to the Board at the next meeting, including the levels of assurance obtained for the Board to be able to sign off the statements outlined in the letter on 10 February. **(Action SL)**
- 3.8 The Board discussed the current issue of employee retention and risk around succession planning. The Board request the newly appointed People lead attend the next Board meeting to talk through the MOSL people strategy **(Action SL)**.
- 3.9 The Board reviewed and discussed the MOSL risk register recommended amendments, and were satisfied the risks were being appropriately managed.
- 3.10 The Board reviewed the Market Company Readiness self-assessment graphs and noted the increase in readiness that is being reported for both wholesalers and retailers. The Board discussed whether the graphs gave a true and fair view of readiness given the lack of testing of the operational processes and live market CMOS functionality. The Board noted MOSL readiness had not increased driven by the revised risk register and transition plan in the process of being finalised and agreed.

4 Finance Update Paper

- 4.1 The Board discussed the financial update paper and explanations for the variances to budget for the month of October were presented.
- 4.2 The Board raised that concern with respect to change costs increasing and leaving little remaining contingency, whilst recognising the challenge re-iterated their expectation that the programme be delivered within the original budget remit.

5 Data visualisation

5.1 A presentation was given on the market visualisation work that MOSL has been conducting using Tableau. This was well received by the Board, who requested further information about how this tool would be developed and used to improve and de-risk the market. It was noted that MOSL will build the capability to operate Tableau within the market performance team as a skill set we would look to recruit and therefore the cost of this powerful analytics tool would be marginal.

6 Articles of association and business plan

6.1 The Board were pleased to note that proposed changes to the Articles of Association had been generally well received by members and agreed to recommend these for formal approval at the meeting of members on 15 December.

6.2 The Board reviewed the 2017/18 Business plan and budget, having each received copies of every response from members. The Board agreed to lower the proposed budget from £17.5m to £13.7m through:

- lowering the market audit cap from £2.5m to £1.5m and confirmed that any subsequent saving arising from the procurement exercise would be reflected in the 2017/18 actual charges;
- removing the £2m provision for change and agreed that this should be funded as today on a PAYG basis - changes will therefore be financed from the £2m contingency provision, subject to a threshold level at which they would be recharged to members (nb. the Board noted that members should be happy with this arrangement, given that MOSL has absorbed these costs within its market opening budget contingency without seeking any recourse to members) and
- Setting a management challenge to make the agreed changes to the MOSL base case and reduce the operating budget by £800k.

6.3 The Board requested that the agreed changes to the Business plan and budget be presented to the Water UK council on 18 November, circulated to CEOs and presented to the Workplan Review Group on 22 November, prior to these being recommended for formal approval at the meeting of members on 15 December

JR left the meeting at 15:12pm declaring that he had no issues to raise concerning the remaining business to be discussed.

6.4 The Board agreed for the business plan to be recirculated with the suggested amendments for further review. It was noted the deadline for the submission of the Business Plan is 29 November 2016.

7 Closure of the meeting

There being no further business the Chairman closed the meeting at 15:25pm.

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Chairman