



Minutes of the Market Performance Committee

Meeting 15

27th June 2018 | 10:30 – 15:30
Held at MOSL Office,

Status of the Minutes: Final

MEMBERS PRESENT

Nigel Sisman	NS	Independent Chair	Katy Spackman	KS	Retailer Committee Member
Mike Brindle	MB	Retailer Committee Member	Jesse Wright	JW	Wholesaler Committee Member
Claire Yeates	CY	Retailer Committee Member	Trevor Nelson	TN	Retailer Committee Member

OTHER ATTENDEES

Stephen Beddoes	SbD	Ofwat Observer	Mike Robertson	MR	MOSL representative
Priya Sinha	PS	Ofwat Observer	Merixell Saura	MS	MOSL representative
Steve Arthur	SA	MOSL representative	Katie Trewhella	KT	MPC Secretary

APOLOGIES

Simon Bennett	SBe	Wholesaler Committee Member	Natalie Round	JW	Wholesaler Committee Member
Don Maher	DM	Wholesaler Committee Member			



1. Welcome and Introductions

Purpose: For Information/Decision

- 1.1. The Chair began by welcoming the members of the Market Performance Committee (“Committee”) and convened the meeting.
- 1.2. The Chair noted that there was not a wholesaler quorum present at the meeting and, as such, no final decisions could be made.

2. Minutes and Outstanding Actions

Purpose: For Decision/Information

- 2.1. The Committee discussed the minutes from MPC14 with relation to agenda item 6. The committee agreed the position taken, that the Committee will decide the OPSWG standards timeline at MPC1, and MOSL agreed to send the revised minutes for approval.
- 2.2. A14_01 - The Chair noted that no feedback had come through to substantially change the document, agreed to close.
- 2.3. A14_02 – The committee agreed to close, covered in agenda item 4.
- 2.4. A14_06 – the Committee agreed to remain open, with an update being provided as part of agenda item 3.
- 2.5. A14_07 - the Committee agreed to remain open, with update being provided as part of agenda item 3.
- 2.6. A14_08 – the Committee agreed to close, covered in agenda item 8.
- 2.7. A14_09 – the Committee agreed to close following publication of on-time reports in May.

3. OPSWG Update

Purpose: For Information

- 3.1. The Operational Performance Standards Working Group (OPSWG) Chair noted that the OPSWG had been informed of the revised timelines and objectives and work had been re-planned accordingly.
- 3.2. The OPSWG Chair advised the Committee that feedback for priority standards had been collated from retailers using customer impact, settlement impact and MPS impact. As such, the working group has selected a minimum of five standards to bring to the July meeting although this number will likely be higher due to complementary standards.
- 3.3. The OPSWG Chair updated the Committee on the working groups’ progress on general guidance, with this document currently in the redrafting stage. In addition, the group made significant progress on H1a draft guidance at the last meeting and this standard was near complete for the July meeting.
- 3.4. The Chair asked about retailer contribution to the group, following the departure of one of the two retailers. The OPSWG Chair confirmed that no replacement has yet been appointed, but that the priority standards selected had been based on a retailer survey and there had been retailer presence at all meetings.



- 3.5. The Chair relayed concern from the Panel about the slow start to the group, but acknowledged that progress is now being made.
- 3.6. The OPWSG Chair noted that there could be certain limiting factors in respect of timescale, such as a change of reporting system for wholesalers in respect to start and end day times.
- 3.7. A Member noted that that disagreements between Retailers and Wholesalers on high level performance numbers was often distracting more important conversations on the causes of underperformance.

4. CPM008 update for Ofwat

Purpose: For Information

- 4.1. The Chair updated Ofwat on the discussions from MPC14b and his interpretation Ofwat's objectives, along with an explanation that for this meeting the Committee has decided to focus on metrics and not the retention/redistribution question.
- 4.2. Ofwat commented that in the future proposal, the Committee should consider that some industries do not redistribute these charges. The Committee should provide the rationale for full redistribution and approach arguments from a wider market overall perspective.
- 4.3. A Member asked Ofwat why their position has changed since initially approving redistribution. Ofwat responded that the aim of Panel is to ensure that as the market develops, the market codes also do. Ofwat also commented that only recently has hard evidence of how redistribution is likely to play been seen in practice.
- 4.4. A Member raised the concern of changing financial arrangements substantially during financial year and Ofwat concurred a swift resolution was needed, for which the Committee could consider a transitional arrangement.
- 4.5. A Member questioned Ofwat's customer approach to MPS, given the framework is intended primarily for effective settlement. Ofwat responded that even if indirectly, the customer can be affected by poor MPS performance.
- 4.6. Ofwat advised the Committee that the proposal should quote evidence and mitigate and evaluate risks, presented on a number of scenarios.

5. CPM008

Purpose: For Discussion

- 5.1. MOSL presented four redistribution mechanisms, modelled on April and May data and based on increasing the link to performance.
- 5.2. Ofwat commented that penalties should call out those not performing well as well as an aspiration that Trading Parties should be rewarded based on their own performance, and not the underperformance of others.
- 5.3. The Chair noted a suggestion he had received that that the pot could be used as fund to correct market issues (eg. Vacant sites), or to drive improvement on metrics not covered by the MPS framework.
- 5.4. MOSL noted that there will inevitably be a trade-off between simplicity and effectiveness, and that this should be considered by the Committee.



- 5.5. The Chair noted that one of the options presented by MOSL, redistributing on a Trading Parties charges multiplied by performance, seems to tie closest to Ofwat's aspiration that TPs should maximise control of their own redistribution.
- 5.6. The Committee agreed that redistribution should be correlated to performance, but discussed the merits and cons of a linear vs quasi-exponential correlation.
- 5.7. A Member raised the issue of what will happen to Trading Parties who exit mid-year, and whether the acquiring trading party will be redistributed for pre-exit performance. The Committee did not resolve this question.
- 5.8. A Member noted that performance was still being assessed solely on SLA %, without consideration for the differences in challenges faced by actively switching retailers.
- 5.9. The Committee discussed the option to use a third party to aid in writing in the proposal, particularly with regards to the economic rationale. The Chair also requested that the matrix developed at MPC 14b be updated to reflect the additional discussion with Ofwat at this meeting.
- 5.10. The Committee agreed to review what the final proposal should look like, and how the work should be allocated, for a decision at MPC16

A15_01

6. MO Compliance

Purpose: For Information

- 6.1. The Committee noted that the delay in Q4 reporting had been due to reviewing internal governance approach.
- 6.2. MOSL explained that a move to board sign-off by correspondence will enable a move to reporting a month after end of quarter with MPC.
- 6.3. MOSL confirmed that the Market Audit report went to its Audit Committee on 20 June and the Board on 25 June.
- 6.4. MOSL asked when the Committee would like to discuss the Market Auditor year 1 report - before or after Panel. The Committee agreed it should go to Panel at the earliest opportunity and queried the obligation on the MPC with regards to the market audit. MOSL agreed to distribute to the Committee on the same day as the Panel.
- 6.5. It was noted that Committee members can feed through comments via Panel members.
- 6.6. Members agreed to review MO compliance report and provide feedback.

A15_02

7. MPC standing agenda items

Purpose: For Decision

- 7.1. The Committee discussed a standard agenda template and noted that the time allocated to fixed items these should be flexible
- 7.2. MOSL noted that the Market Performance Operating Plan (MPOP) might help with the discussions for the special project forward agenda.



- 7.3. The Committee noted its ability to assess additional performance indicators and that these could be added onto the general MPF agenda item
 - 7.4. The Committee discussed whether the MPOP should be an annual item or referred to on an ongoing basis, with general agreement it should be an item referenced in the MPC plan rather than every agenda.
 - 7.5. A Member requested the addition of market entry and reassurance and market audit.
- A15_03
- 7.6. The Chair noted that a high level MPC Plan was required alongside a standing agenda.

8. MPS and OPS Reports

Purpose: For Information

- 8.1. MOSL presented the MPS performance data for May, along with an update on Performance Resolution.
- 8.2. A member suggested that there should be more engagement prior to a resolution plan being triggered. MOSL confirmed that the Portfolio Managers will receive regular briefs from the performance team and that the performance team will be involved in conversations should a formal process start.
- 8.3. A member suggested using OPS data for higher volume standards, whilst OPS is still undergoing standardisation, may be more beneficial.
- 8.4. MOSL presented an example table for standardised presentation. MOSL agreed to change the performance flag indicators to correspond with Performance Resolution metrics.

A15_04

9. Update on MPOP

Purpose: For Information

- 9.1. MOSL presented an update on the MPOP, notably how the key market issues had been selected and how they would feed into MPOP and Market Improvement Strategy.
- 9.2. The Chair commented that he would like to see a more detailed assessment and of the evidence used to quantify and prioritise risks.
- 9.3. The Committee noted that the issues raised in the MPOP will feed back into the Market Performance Committee forward agenda.
- 9.4. MOSL confirmed that the MPOP would have a planning horizon of 18-24 months to align to the Panel Plan.
- 9.5. MOSL confirmed the deadline of the final plan to Panel, and that they would be sharing the final draft with the Committee prior to panel – along with a presentation at User Forum.

A15_05



- 9.6. A Member suggested that the plan should include the identification of Trading Parties particularly relevant to each market issue. MOSL commented that the MPOP had been formulated for market wide issues.
- 9.7. The Committee discussed the need for future planning to be flexible and responsive as the market develops and asked whether the MPOP accounted for this.

10. AOB

Purpose: For Discussion

- 10.1. There was no further business and the Chair closed the meeting.

Actions:

A15_01 The Committee to consider how the redistribution paper should be structured, and how the work should be allocated, for a decision at MPC16

A15_02 The Committee to review MO compliance report and provide feedback.

A15_03 Market entry, reassurance and market audit to be added to standard agenda, and all items to be made de facto monthly.

A15_04 MOSL to change performance flag indicator in MPS presentation tables to align with performance resolution process

A15_05 MOSL to share final draft of MPOP with Committee prior to Panel.

The next MPC meeting is scheduled for: **25th July 2018**

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