

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 13 October 2016 at 9.37 a.m.

Present:	Margaret Beels (MB)	(in the chair) Independent Director
	Ben Jeffs (BJ)	Chief Executive Officer
	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
Apologies	Andrew Pinder	Chairman

1 Preliminary

- 1.1 Margaret Beels was appointed as meeting chairman in Andrew Pinder's absence.
- 1.2 A quorum being present, the Chairman declared the meeting open.
- 1.3 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, letter of assurance, business plan and budget review and articles review.
- 1.4 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 and the open matters were discussed and acknowledged.

3. Business Update – including: Progress update report, Risk register and dashboard, Market engagement paper

- 3.1 The Board congratulated the team for their part in securing the successful opening of the shadow market on 3 October 2016 and the recognised the effort that had been required to reach this milestone. The Board were pleased to hear the positive feedback being received from market participant CEO's.
- 3.2 The Board noted 2.26m SPIDS against a forecast of 2.62m, has been loaded into CMOS. Further work is being done to load further eligible SPIDS and report unmatched SPIDs to market participants in addition to identifying further data quality issues.
- 3.3 The Board discussed the delay to Severn Trent and Waterplus being unable to load all of their SPIDs. BJ updated the meeting on the actions being taken by MOSL and Severn Trent to conclude this activity by the end of November and assured the Board that further contingency plans are in place should current plans not achieve the desired result.

- 3.4 The Board noted that certain participants are now operating 'as live' (using CMOS as their only system to update information), rather than in parallel, and that service expectations are likely to be higher than originally planned and contracted for as a result. MOSL has appointed a new Service delivery manager to support this activity. The Service Delivery Manager will be shared with CGI and have dual reporting lines to both management teams.
- 3.5 The Board noted the Market data set (MDS) reports were not successfully run on day one. The issue has been escalated within CGI and additional controls and checks have been put into place. Further work continues by CGI to automate the process that will provide greater confidence by eliminating human error and bring the reporting within the service level agreement.
- 3.6 The Central Market Operating System has been relatively stable in the first two weeks and is being used by participants. The Board noted system performance is the main driver of market participant queries, with Low Volume Interface operating slower than expected at times. Continual progress is being made by CGI to improve performance, with a plan in place to improve performance, with focus on running a full settlement process in October.
- 3.7 The Board reviewed and discussed the revised risk register and dashboard. A number of risks have now been closed due to the opening of the shadow market. A number of new risks have been added to address the risks to the market, service and MOSL business.
- 3.8 The Board challenged whether go, no go criteria is required for Market opening and when any issues would need to be resolved by in light of the third letter of assurance in February 2017. **(Action BJ)**

4 Letter of Assurance Review and Approval

- 4.1 The Board noted that all Letters of Assurance had been received from market participants and the agreed process had been followed. The Board requested further assurance be obtained from one participant to ensure that it fully reflected the actions that were known to being taken. **(Action BJ)**
- 4.2 In light of the review and discussions around the MOSL risk register and review of an Independent service readiness report, which summarised that there were no material concerns highlighted as to the Company's market readiness, the Board agreed wording of the Company's Letter of Assurance in section 3 reflected the Board's robust consideration of the potential risks and issues which could arise and their confidence in the company's ability to mitigate. The Board approved the content of MOSL letter of assurance, for submission to Ofwat and Defra. It was agreed that Margaret Beels would sign on behalf of Chairman.

5 Financial Update- including: Finance Paper Update and Cost to Complete Paper

- 5.1 The Board reviewed the monthly variance of cost against budget and the 6-month performance to date. The Board noted that, in response to the needs of market participants MOSL has delivered over and above their remit but continued to do so within the approved budget.

- 5.2 The Board discussed the Cost to Complete Paper which requested a £264,000 draw down from contingency to enable MOSL to de-risk market opening by recruiting the permanent directors and managers earlier than planned, to support knowledge transfer before market opening and add additional capacity to roll out and comply with the Company's obligations. The Board approved the request and challenged MOSL to continue to keep cost under review.

6 Articles Review

- 6.1 The Board noted that the proposed revisions to the Company's articles showed an alignment to the Market Rules. Addleshaw's and Goddard attended the presentation and responded to the Board's questions.
- 6.2 The Board discussed the proposal for a revised membership structure that would enable associate membership but reserve the current voting principles. After a debate the Board agreed to put this solution to members as part of the Articles consultation as a pragmatic response but noted further review of the articles may be required at some point in the future.

JR left the meeting at 12.31pm and agreed to speak separately to SL outside of the meeting regarding his feedback on the Business Plan.

The meeting continued but was no longer quorate.

7 Business Plan and Budget Review

- 7.1 The Board discussed the principles contained in the Business plan and the build-up of cost to safeguard the market and enable MOSL to carry out its obligations.
- 7.2 The Board requested further information from the Audit committee on the scope of the market audit and we satisfied that a process was being carried out. **(Action SL)**
- 7.3 The Board agreed that the Business plan should be circulated to members for consultation. Once feedback was received, a final business plan would be brought back to the Board for formal approval and recommendation to members in November.

8 Any other business

- 8.1 A formal request from the market participants for two full size test environments is currently being formulated by the undertaker CIO community. The cost is expected to be approximately £671,000 in year 1 and £2.4m over 5 years. The Board noted that this was a new requirement and that these costs had not been included in the current market opening budget (or 2017/18 business plan) and were of a scale that could not be accommodated from the current contingency. The Board agreed that the proposal should be separately presented to the members of the Company for approval.

9 Closure of the meeting

There being no further business, the Chairman closed the meeting at 13.41pm.