



Minutes of Market Performance Committee

Meeting 14b

20th June 2018 | 10:30 – 15:30

Held at MOSL Office,

Status of the Minutes: Draft

MEMBERS PRESENT

Nigel Sisman	NS	Independent Chair	Wesley Thomas	WT	Alternate Wholesaler Committee Member
Mike Brindle	MB	Retailer Committee Member	Trevor Nelson	TN	Retailer Committee Member
Jesse Wright	JW	Wholesaler Committee Member	Natalie Round	NR	Wholesaler Committee Member
Katy Spackman	KS	Retailer Committee Member			

OTHER ATTENDEES

Stephen Beddoes	SBd	Ofwat Observer	Michael Robertson	MR	MOSL Representative
Steve Arthur	SA	MOSL Representative	Katie Trehella	KT	MPC Secretary
Meritxell Saura	MS	MOSL Representative			

APOLOGIES

Simon Bennett	SBe	Wholesaler Committee Member	Don Maher	JW	Wholesaler Committee Member
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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 ran through the structure for the meeting and noted the scale of the task and the need to keep this area of the Committee’s work in proportion to the other work needed to be done by the Committee.

2. CPM008

Purpose: For Decision/Discussion

- 2.1. The Ofwat observer opened by providing greater colour on the rationale behind returning CPM008 and what Ofwat will be looking for from a future proposal. It was noted that the Authority is not currently fixed on one mechanism over another but instead needs any future mechanism to incentivise performance appropriately, any proposal brought forward which does not link redistribution to performance and/or rewards poor performers is likely to be rejected. Ofwat also stated that ultimately customers should benefit from the charges, be that directly or indirectly.
- 2.2. Ofwat noted their understanding of the need for a pragmatic solution, and requested that the Committee considers at least three options, with one option being no redistribution. There should be an evidence-based consideration of the pros and cons of each, with one solution is unlikely to tick all the boxes. This analysis should be based at a high level against the market principles.
- 2.3. The Committee discussed not allowing Trading Parties to receive more back in redistribution than paid in charges. A Member stated that during the Interim Code Panel discussions it was agreed high performing trading parties should be able to receive more than paid in. A member also noted that a more symmetrical mechanism will create a greater range of incentives.
- 2.4. The Committee discussed whether there should be a cap on ‘profit’ to prevent the possibility of an excessively high gain, but noted that a cap/collar mechanism would also result in partial redistribution or rewarding lower performing trading parties. The Committee discussed whether there should be a floor on performance level whereby a trading party will not receive any redistribution.
- 2.5. The Committee discussed the possibility of a transitional proposal for this financial year. The would allow time for a more robust final proposal. Ofwat commented that there is no explicit reason they could not consider this.
- 2.6. The Committee discussed the options for the MPS charges pot if there is no redistribution. The three main areas being distributing to charities, using as an innovation/market improvement fund, and using to offset Market Operator (MO) Charges in the following year. It was noted that any funds retained spent to offset MO Charges or for improvement projects would still be a form of redistribution, and predominantly based on Trading Party scale.
- 2.7. The Committee discussed a performance-related redistribution, the definition of the metrics involvement, and what the outcome of the mechanism should look like. The Committee agreed to look at option using % SLA and absolute number of on time tasks. The Committee reviewed a number of high-level mechanisms against the criteria Ofwat had requested, and agreed to consider specific models at the next meeting.



- 2.8. MOSL took the action to prepare information on potential mechanisms for redistribution based on performance for MPC15.

3. Plan for MPS Further Review

Purpose: For Discussion

- 3.1. The Committee discussed the scope of the review, particularly whether it should be more towards refinement or whether the Committee should look at the framework from a high-level and consider much larger changes.
- 3.2. The Committee discussed whether the review should be approached as its own 'entity' or whether specific issues should be address on their own, and later compiled to form the review.
- 3.3. The Committee agreed some areas to be looked at are; meter reading (wholesaler and retailer), partial registrations, the cap, charging level and OPS.
- 3.4. A member noted that the CMA are about to publish their review of the Scottish framework and it may be valuable to look at their findings
- 3.5. The Chair suggested creating subgroups for specific issues and initially allocated some of the areas.

The next MPC meeting is scheduled for: **27th June 2018, at:**
16-18 Monument Street
London
EC4R 3AB

The nearest tube stations are Monument, Bank, London Bridge