



# Minutes of Market Performance Committee

## Meeting 14

30<sup>th</sup> May 2018 | 10:30 – 15:30  
Held at MOSL Office,

Status of the Minutes: Draft

### MEMBERS PRESENT

Nigel Sisman	NS	Independent Chair	Heather Lamb	KS	Alternate Wholesaler Committee Member
Mike Brindle	MB	Retailer Committee Member	Trevor Nelson	TN	Retailer Committee Member
Claire Yeates	CY	Retailer Committee Member	Natalie Round	NR	Wholesaler Committee Member
Don Maher	DM	Wholesaler Committee Member	Katy Spackman	KS	Retailer Committee Member

### OTHER ATTENDEES

Stephen Beddoes	SBd	Ofwat Observer	Michael Robertson	MR	MOSL Representative
Zainab Mohammed	ZM	TEIC Chair	Katie Trehella	KT	MPC Secretary
Steve Arthur	SA	MOSL Representative	Lauren Mullholland	LM	MOSL Representative
Meritxell Saura	MS	MOSL Representative			

### APOLOGIES

Simon Bennett	SBe	Wholesaler Committee Member	Jesse Wright	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.

## 2. Minutes and Outstanding Actions

### **Purpose: For Decision/Information**

- 2.1. The Chair requested further clarity on 8.3 with regards to how MOSL will identify, and communicate with, Trading Parties not proceeding to the next step of the Performance Resolution Process.
- 2.2. Subject to the change above, the Committee agreed the minutes for MPC13.
- 2.3. A12\_05 – The Committee agreed to leave open, to be covered at MPC15
- 2.4. A12\_11 – The Chair ran through the feedback received including;
  - MPC Branding
  - Compulsory alternates
  - Member tenure period
  - Fixed agenda items
  - Reviewing administrative performance and/or amending process requirements.

The Committee agreed, that pending any other participant feedback, the ToRs would be discussed with a view to finalisation at the July meeting.

- 2.5. A13\_01 -04 – The Committee agreed to close the action.
- 2.6. A13\_05 – The Committee agreed to close and open new action items arising in agenda item 7
- 2.7. A13\_06 – The Committee agreed to close. Ofwat gave an update of ongoing data quality discussions with MOSL and its awareness of issues with the meter reading provider market.
- 2.8. A13\_07 – The Committee agreed to close the action.
- 2.9. A13\_08 – The Committee agreed to close the action and revisit in agenda item 4
- 2.10. A13\_09 – The Committee agreed to close the action, discussed in agenda item 10

## 3. MPS Review

### **Purpose: For Discussion**

- 3.1. The Chair noted there was only a small number of responses to the request for feedback and, as such, his feedback would not be greatly detailed.
- 3.2. The Chair raised the three main positive themes arising from feedback:



- 3.2.1. The respondents felt a substantial amount of work was achieved in a short space of time and had delivered a significantly improved Market Performance Framework
- 3.2.2. Engagement and consultation, particularly via the User Forum was assessed by both MOC and wider Trading Parties as good
- 3.2.3. The significant achievement of MOSL's development of the new reporting system.
- 3.3. The Chair noted the three opportunities for improvement:
  - 3.3.1. subsequent reviews would be informed by better data availability and MOSL's enhanced ability to process and support MPC using its greater experience and the new chargeable standards system
  - 3.3.2. robust planning from the start of the project, with strict monitoring of progress against objectives and deadlines
  - 3.3.3. more efficient deployment of MPC, wider Trading Party and MOSL resources (as a consequence of better planning and tighter management)
- 3.4. In addition, the Chair noted that members had commented on the very broad scope of the project and that meetings may have been too discussion orientated at the expense of decision making.
- 3.5. The Chair commented that, although trading party engagement was generally good, the Committee had not comprehensively addressed the feedback from the second consultation.
- 3.6. The Committee discussed whether ending up with a referred proposal on CPM008 meant that the process had not been entirely successful. The Committee generally agreed that a referral back was unfortunate but shouldn't be regarded necessarily a failure, but perhaps the change proposal document should have included greater transparency on the decision logic.
- 3.7. The Committee agreed to review the summary note to be delivered by the Chair and provide further comments.

A14\_01

## 4. MPS Reports

### **Purpose: For Information**

- 4.1. MOSL presented the key data and themes arising from the April MPS Reports.
- 4.2. Key themes included that;
  - Total uncapped MPS charges for Wholesalers had decreased from the previous 3 month average
  - All but two Wholesalers had total charges below their cap, the best performance since January
  - Twenty Retailers had total charges below their cap, including four large retailers
  - A large number of Wholesaler MPS continue to be heavily dominated by one or two Wholesalers in volume of tasks, including after adjustment for market share.
- 4.3. A member suggested that the use of any information provided by Trading Parties to Portfolio Manager s about their market performance should be fed into the MPC feedback each month.



- 4.4. A member suggested whether Trading Parties could feed back their own analysis of their monthly reports, or in part for exception reporting.
- 4.5. The Committee asked to have a consistent monthly format for reviewing MPS Reports and agreed to communicate suggestions for the next interim meeting.

A14\_02

- 4.6. MOSL agreed to collate the feedback and present a proposed structure at the standard June Meeting.

A14\_03

## 5. CPM008

### **Purpose: For Discussion**

- 5.1. Ofwat commented that CPM008 had been challenging, and that the decision was not a rejection but a 'case not proven'. The Ofwat representative noted difficulties in balancing Ofwat input to Committees with an obligation not to unduly influence.
- 5.2. Ofwat highlighted the concern of a dilution of incentive properties with the redistribution proposal in CPM008. It was noted that the analysis was not strong enough for Ofwat to have confidence in approving. For the revised proposal, Ofwat require extra work on modelling and making a strong quantitative case.
- 5.3. A Member asked what Ofwat found preferable between the current redistribution and the proposal, given that the current redistribution will come into effect should the MPC not prioritise this issue. It was also noted that having to justify why the Committee didn't change something is unusual protocol for a change proposal.
- 5.4. The Chair updated the Committee on the Panel discussions regarding the matter. The proposal has been given back to the MPC with a timetable outlined for the Committee. The first step would be to develop a preferred approach during June/July. Following this would be a consultation in the summer. MPC should reach a decision about its recommendation in September. The final proposal would be decided at the October Panel.
- 5.5. It was noted that engagement with Ofwat is crucial and should start as early as practical in the process.
- 5.6. The Committee discussed the option of having some or part of the charges not redistributed. Suggestions for where these funds would go included charities and market improvement projects.
- 5.7. It was noted that an expediated decision on this was also crucial for Trading Party members to ensure stable business planning
- 5.8. The Chair questioned whether Ofwat concerns over dilution were as material as believed. MOSL agreed to come back with a model for both the existing and CPM008 redistribution mechanisms, to be discussed at the June interim meeting.

A14\_04

- 5.9. A Member noted that in the Scottish market MPS charges are not redistributed and go to other causes, it was also highlighted that this may not always result in an efficient use of the funds.
- 5.10. A Member raised the potential issues of taxation should a Trading Party make a 'profit' from the redistribution, or if MOSL retains the charges.



- 5.11. A Member noted that, given OPS are not currently charged, there is an inequity in the chargeable performance framework between Retailers and Wholesalers. The Committee affirmed its' position that the current redistribution is inappropriate and any future proposal will still seek to address this.
- 5.12. The Committee agreed to hold an interim full-day meeting on Wednesday 20<sup>th</sup> June, with CPM008 to be the primary agenda item.
- 5.13. e Committee agreed to chart out a high-level plan for discussion at the interim meeting on the 20<sup>th</sup> June.

## 6. OPS Reports

### **Purpose: For Information**

- 6.1. MOSL presented insights from the April OPS reports. It was noted that there were no discernible market trends in completed task success rates
- 6.2. MOSL noted that there were trends in outstanding tasks, particularly for meter related OPS, with the number of outstanding tasks generally increasing month on month.
- 6.3. MOSL highlighted that this could indicate a growing backlog for many Wholesalers, but due to reporting inconsistencies it is hard to draw any firm conclusions
- 6.4. A Member noted that the completed on-time success rate had risen 5% in April.

## 7. TEIC

### **Purpose: For Decision**

- 7.1. The Trade Effluent Issues Committee (TEIC) Chair ran through the process used by the TEIC to select an appropriate and measurable standard for inclusion in the OPS.
- 7.2. Of the six operational terms processes for trade effluent, the TEIC recommended two standards to the Committee – G2 Step 7 and G4 Step 2/3. The TEIC Chair explained these recommendations had been made considering customer impact and ability to fairly measure and report. The TEIC Chair noted that G2 step 7 would need to be included in the ongoing OPS standardisation work.
- 7.3. A Member asked whether TEIC were recommending that both proposals be included in OPS, or whether they had presented a choice of options for the MPC. The TEIC Chair confirmed the intention for this to be the discretion of the MPC.
- 7.4. A Member questioned if 1 business day is a proportionate timescale for G4, particularly given the high volume some wholesalers see in this, but the Committee agreed that whether a measure should be included in OPS is separate from whether the SLA is correct – although inclusion would likely draw scrutiny on the SLAs in question.
- 7.5. A Member noted experience of customer contact when a G4 response is not provided in a timely fashion and the Committee agreed there is high customer impact.
- 7.6. The Chair asked whether information on activity levels of proposed measures would be able to be provided to the Committee.

A14\_06



- 7.7. The Committee agreed that the two suggested new OPS should be considered in the OPS Review. The outcome could be 0,1 or 2 of the proposed standards being included in the new framework and whether this might be associated with the removal of any of the current OPS. This would be a decision for MPC later in the process. The decision for OPS inclusion needed to be made in sufficient time for it to be considered in the work of the OPS Working Group if guidance is necessary.
- 7.8. The Chair and the Committee expressed their gratitude to the TEIC for the work they had done and commented on the high standard of the paper. The Committee agreed to look at the two options in further detail within the timeline of the OPS review.

A14\_07

## 8. OPS Working Group

### **Purpose: For Information**

- 8.1. NR took the Committee through the paper of initial Operational Performance Standards Working Group (OPSWG) findings
  - 8.2. The OPSWG recommended that whilst October Charging would be possible, there was a serious risk that the framework would not deliver the incentives intended due to the extreme time constraints available. It was noted that Retailers remain strongly committed to October charging, whilst the plurality of Wholesalers believed there were difficulties associated with that timeframe.
  - 8.3. The Committee noted the argument that peer performance reports will have a greater incentive on behaviour than charging but agreed this logic was not applied to MPS and so cannot be for OPS.
  - 8.4. NR highlighted the large differences in interpretation of standards by different Wholesalers and that standardising will require a significant amount of work
  - 8.5. The Committee agreed that all OPS standards will be subject to charging in April 2019, but that there was still an aspiration to have a select number of high priority standards with an earlier charging introduction. The OPSWG Chair / Deputy Chair were requested to provide this mandate to the group.
- A14\_08
- 8.6. The Committee noted the vagueness of OPS within the code and discussed whether full guidance would need to be a feature of any code change proposal, and the scope of any future industry consultation. The MPC agreed that the guidance should be produced within the designated timelines and that the decision about what should sit within the code and what in external documents referenced from the code could be decided later. Suggestions from OPS WG about any such split would be welcomed.
  - 8.7. The Committee agreed that whilst all OPS will be charged by April 2019, the charging levels should form part of the recommendation from the OPSWG.
  - 8.8. The Committee agreed a timeline for the OPS review
    - OPSWG to provide a full guidance document, for at least 4-5 priority standards, as 'proof of concept' by the July MPC meeting. This document should include metrics of measurement, guidance on



interpretation, draft code changes needed and an indicative delivery plan. JW/NR to update at standard June meeting

- MPC will assess progress and decide upon any further delegations beyond OPS specification and guidance notes from OPS WG at the MPC July meeting
- Proposals for all other standards (i.e. full specification and guidance) to be completed by OPS WG and submitted to the September MPC for consideration.

8.9. Where interpretations (e.g. Business day start/end times, activity on non-business days) are covered elsewhere in the code, particularly MPS, the Committee agreed that the OPSWG should use these metrics.

## 9. Impact of RF reads

### **Purpose: For Information**

- 9.1. MOSL presented the process and effects of the RF run and G reads
- 9.2. MOSL presented analysis of the change between the P1 to R2 run to give an estimate of the extent of inaccuracy estimated reads, per retailer, and then multiplied by number of unread meters for overall settlement inaccuracy. This indicated a negative difference (or overcharge) of 3%. MOSL noted that this isn't a loss and the persistence of the G-read ensures this is accounted for in later settlement runs.
- 9.3. The Committee noted that a correction will happen once a meter is read, but that this could mean long unread meters generating shocks to monthly cashflow in extreme cases.

## 10. Annual Market Performance Report

### **Purpose: For Discussion**

- 10.1. MOSL ran through the Annual Market Performance Report recently published, noting that this year was lighter in content than will be expected going forward due to the charging suspension period and reporting issues faced.
- 10.2. The Committee noted that they felt the Report could have been more detailed and made mention of the issues on reporting defects, the change in reporting system and that the market has not had twelve months of accurate MPS data to prepare for charging introduction.
- 10.3. MOSL and the Committee agreed that the Annual Market Performance Report for 2018/19 will be flagged earlier on in the year with a view to gaining feedback from the MPC.
- 10.4. MOSL confirmed the costs associated with administering the framework were in budget for the 2017/18 fiscal year.



## 11. Market Improvement Strategy

### **Purpose: For Information/Decision**

- 11.1. MOSL presented the Market Improvement Strategy, which will supplement the delivery of the MPOP
- 11.2. MOSL noted that the MPOP will also focus on linking segmented market issues back to wider strategic goals, and the Market Improvement Strategy outlines the various channels for delivery.
- 11.3. MOSL highlighted that the various options for addressing and escalating issues in the Market Improvement Strategy are not sequential, but provide full coverage for a broad range of strategies and market issues.

### Actions:

- A14\_01 Committee to provide feedback to the Chair on the ex-post review of MPC Standards Review Project.
- A14\_02 Committee to provide suggestions for the presentation structure of MPS and OPS
- A14\_03 MOSL to use Committee feedback and bring a suggested format to MPC15
- A14\_04 MOSL to model redistribution outcomes of the existing and CPM008 methods and report insights to MPC
- A14\_05 Committee to chart out high-level plan for the further MPS review at interim June meeting
- A14\_06 Committee to provide information on activity levels of the proposed TE OPS standards where possible
- A14\_07 Committee to decide on whether to introduce Trade Effluent OPS recommended by TEIC
- A14\_08 OPSWG Chair / Deputy Chair to update the OPSWG the revised mandate and timelines for the group and provide proof of concept document for July meeting (MPC16) with an update in June (MPC15)
- A14\_09 MOSL to publish the on-time meter reports as part of the reporting documents suite

The next MPC meeting is scheduled for: **20<sup>th</sup> June 2018, at:**  
**16-18 Monument Street**  
**London**  
**EC4R 3AB**

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