

market focus

MOSL
MARKET OPERATOR SERVICES LTD

Welcome to our June edition of *Market Focus*, providing a monthly update on MOSL activities.

Sarah's welcome

In this, my second week at MOSL, I would like to take this opportunity to officially introduce myself as Chief Executive. I am delighted to be taking on this new role and joining the company at such an exciting time.

I would like to thank Des for leading the organisation through this period of transition, establishing our new office base in Southampton and providing us with a stable platform to continue driving improvements across the market. I am committed to ensuring we don't lose the momentum Des has set for us.

MOSL has taken positive strides over the past six months to address some of the biggest challenges in the market. For example, through the publication of the MPOP and peer comparison data, the introduction of trading party data and improvement plans and ongoing work with the Panel to look at its role in the market in making the governance process more effective. We are now starting to see encouraging signs and outcomes of this work, but that does not mean we can, or should, slow down our efforts.

Before I joined MOSL, I spoke to many people, including wholesalers, retailers, industry bodies and other key stakeholders, who

had been involved with either setting up or participating in the market (in some cases both) to understand some of the key challenges in the market. It is clear that whilst the market is functioning, more work needs to be done to encourage competition, reduce friction and make sure that the market delivers on its commitment to customers by offering greater choice, service and savings.

Recent reports published by Ofwat and CCWater, as well as those published by MOSL, highlight the areas where progress is most needed and push for a revived focus on making the customer experience an integral part of the framework to incentivise wholesaler and retailer performance. I support Ofwat's view, in Rachel Fletcher's recent open letter to the market, that real progress and collaboration is needed to support a vibrant, competitive market with customers at its heart.

Having worked in the water industry for 25 years, I will be a familiar face to many of you.



In my new capacity as Chief Executive of MOSL, I am looking forward to meeting with our members over the coming months to understand the challenges and opportunities you face in operating in this market and how we can support collaborative working to drive the improvements necessary to make this young market flourish.

Improving bilateral arrangements



Bilateral arrangements between wholesalers and retailers have been a cause of friction since the market opened over two years ago. MOSL,

as outlined in our [Business Plan 2019/20](#), is committed to providing a market-wide solution that benefits all parties and enables better, more streamlined service for their customers.

We recognise that implementing such a solution will require significant change to

the market codes and to trading parties' systems and processes. Over the past few months, we have been working hard to put in place a robust framework for understanding, managing and implementing these changes, and identifying the extent of the impact on trading parties' system integration.

At this month's Panel meeting, we will be providing an update on that framework, following which we will be engaging in more detailed workshops across all of our stakeholders. This update, and all subsequent work, will consider the challenges involved in

managing and co-ordinating the delivery of a market-wide bilaterals solution as we progress with a technical approach.

Having engaged with Ofwat, and receiving support on our commitment to improving bilateral interactions in its recently published [CFI Outcomes Report](#), we are committed to maintaining the momentum of this project. We look forward to ongoing collaboration with Ofwat, the Panel and trading parties to drive greater efficiencies and dynamism in the market.

Response to Ofwat CFI Outcomes Report

On 4 June, Ofwat published its [CFI Outcomes Report](#), which outlined potential drivers of friction in the market and their impact on wholesaler service and performance.

Key issues identified in the Call for Input (CFI), which was published in November 2018, include:

- ◆ Weak reputational and financial incentives for wholesalers
- ◆ Inadequate metrics to measure wholesaler service and performance
- ◆ Inconsistency and variance in policy approaches.

MOSL welcomed Ofwat's CFI and the findings of the outcomes report published last week. Following the publication of our [Annual Market Performance Report \(AMPR\)](#) in early May, we share Ofwat's concerns regarding the pace of development of the market, particularly in areas for

which wholesalers are responsible for services to retailers and ultimately, their customers.

As highlighted in the outcomes report, we are pleased to see Ofwat supporting MOSL's ongoing approach to tackling poor performance in the market by addressing issues caused by unsatisfactory bilateral arrangements and sharpening our focus on making peer comparison data more publicly available.

Our targeted programme of improvement, described in the latest iteration of the [Market Performance Operating Plan \(MPOP\)](#), signals our commitment to shining a light on areas of friction and working with trading parties to find ways to improve

communication and incentives across the market.

As a key part of the MPOP, we recognise that more can be done to make the Market Performance Framework (MPF) a better tool for incentivising performance and driving the right set of behaviours. As we are now firmly in the third year of the market, it is our joint responsibility to think strategically about 'what good looks like' and how we can work together towards achieving it.

The MPOP identifies a number of 'quick-wins' to bring greater focus to the MPF, as well as longer term changes required with regards to market charges, caps and performance thresholds. We will continue to work closely with the

Market Performance Committee (MPC) to drive this work forward and develop an approach to identify how performance charges should be used after the existing redistribution mechanism runs out in 2021. MOSL supports transparency and healthy competition and will continue to publish key market information in the form of league tables and comparative performance metrics to drive actionable change.

We will also continue to work with trading parties through the use of Initial Performance Rectification Plans (IPRP) to address specific areas of underperformance against Market Performance Standards (MPS) and, as outlined in Ofwat's report, look to introduce IPRPs against Operational Performance Standards (OPS).

Market Performance Operating Plan (MPOP)

On 24 May, MOSL published the second iteration of our [Market Performance Operating Plan \(MPOP\)](#), setting out a focused and ambitious plan for market improvement in 2019/20.

The MPOP provides the framework within which this accelerated improvement can be achieved, by focusing on two primary objectives:

- ◆ To deliver improved customer outcomes
- ◆ To deliver improved trading party performance and accountability.

These objectives are being achieved through four distinct programmes of work:

- High quality customer, premises and asset data
- Timely and robust consumption data
- Targeted incentives to drive service and performance
- Data, tools and insights to drive efficiency and innovation.

Each programme of work is driven by activities through each quarter, which aim

to drive them through to actualisation, and place us in a strong position to develop our 2020/21 improvement plan.

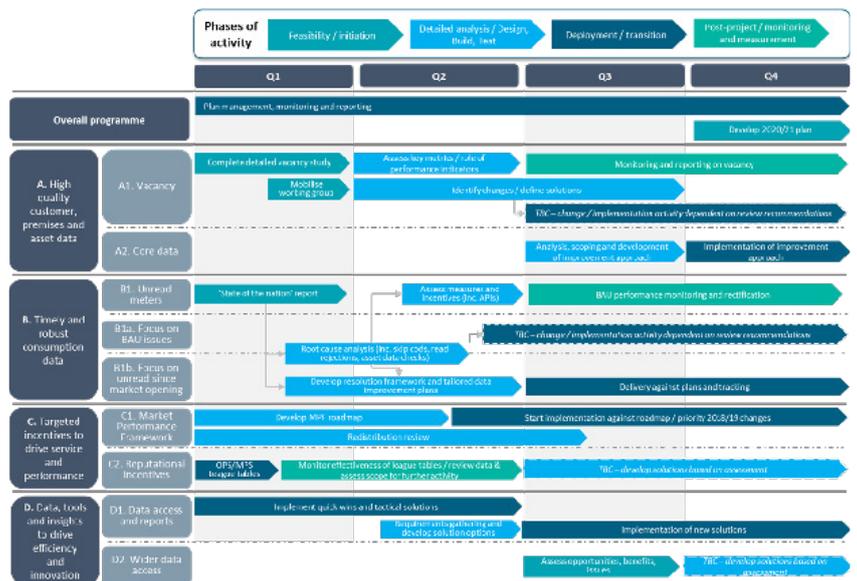
Since publishing the MPOP, work is underway to kickstart the projects and deliver against the first set of milestones. This includes work in conjunction with the Market Performance Committee (MPC)

to review the redistribution mechanism for market performance charges, ongoing work to establish a robust set of reporting and improvement metrics in relation to vacant premises and the development of a comprehensive report on long unread meters.

This report, due to be published at the end of June, will include detailed analysis of the current market

position and a consolidated summary of insights and lessons learned since the initiation of data improvement plans at the end of 2018. The report will be followed by focused assessments of skip code data, reads being rejected by CMOS and the quality of meter location data.

Last month, we also published the Operational Performance Standards (OPS) and Market Performance Standards (MPS) league tables on the [MOSL website](#), as part of our commitment to transparency and making data more publicly available.



MPOP: Focus on consumption

As outlined on page two, Programme B: Timely and robust consumption data, is one of the key programmes of work detailed in the MPOP.

The aim of this work is to build on improvement activity from 2018/19, with a focus on:

A. Addressing the root causes of business as usual cyclic meter reading issues

B. Driving trading party collaboration to resolve issues with meters which have gone unread since market opening.

We have an ambition target under this programme of work – to reduce the overall long unread meter position to less than five per cent at market level by March 2020.

To achieve this, we are planning to expand on the original

approach introduced last year. We will continue to report against key metrics, e.g. the percentage of meters without an actual read in 12 months, at a market and trading party level, but we will also be assessing, and where required introducing, new measures and incentives to drive improved performance and escalation through the Market Performance Framework, for example, through additional performance indicators.

On the specific issue of meters unread since market opening, we also intend to work closely with trading parties to develop a collective plan for resolving this ongoing and deep-rooted market issue.

Key Market-Level Metrics

Metric	May	vs. 18/19 year end
Percentage of meters unread for 12m+	14.5%	▼ 0.1%
Number of meters unread since market opening	48,119	▼ 6,033

CMOS Release 6.0

As per the release schedule, available on [MOSL's website](#), CMOS Release 6.0 was deployed into the production environment on 17 May - delivering a new report with increased visibility of details relating to SPIDs that have not yet become tradable.

The release also included more wide-ranging functionality to permit data updates and corrections to deregistered SPIDs, which supports trading parties in ensuring that their data and settlement calculations are accurate.

South East Water visit

Last week, MOSL visited South East Water for the first of many trading party site visits planned over the coming months.



Beginning at the Bray Keleher Treatment Works, the team received a guided tour of the site, followed by an introduction to their water treatment processes at the South East Water Scientific Services Laboratory.

The site visit was part of a programme of trading party visits and 'masterclasses' to support learning and development at MOSL.

If you are interested in being part of this programme during 2019/20, by hosting an operational site visit or by presenting to colleagues at MOSL's office, please get in touch with your Portfolio Manager or email MOSL's Head of Corporate Affairs, [Lyvia Nabarro](#).

View the video of MOSL's trip to South East Water on Twitter [here](#).

MPC nominations

Last month, we issued communications inviting trading parties to put forward nominations for new members to join the Market Performance Committee (MPC).

We are pleased to confirm that we have now received 12 nominations. From these, the Panel will vote to appoint eight members at its meeting on 25 June.

The membership for successful candidates will run for two years, effective from July 2019, with

members typically attending 12 meetings per year, held in rotation between Southampton and London.

Further information on the MPC is available on the Panel Committees page of the [MOSL website](#).

CMOS transactions (all interactions by trading parties e.g. switches, meter readings etc)

May
total was
3,037,711

from the 3,037,711 total, approx.

24% = trading parties

76% = system-automated transactions

Diary dates

Here are some key events coming up over the next month



19 June

Trading Disputes Committee

26 June

Market Performance Committee (MPC)

20 June

User Forum and GDPR Issues Committee

28 June

Retail Wholesale Group (RWG)

25 June

Panel meeting and workshop

News in brief



Utility Week Live

Earlier this month, our CIO, Samir Rahim, took part in a Keynote panel debate at Utility Week Live, discussing 'Utilising Data, Cyber and Blockchain'. Samir was joined by experts from across the utilities sector looking at 'how utilities need to adopt and utilise the latest technological thinking to successfully make the jump to becoming a digital business'. Topics of discussion included: improvement of data quality; ownership and openness of data; how the industry can introduce emerging technologies to evoke change; and the overall future of utilities.

During the session, Samir highlighted the importance of allowing people full access to their data, emphasising that 'full transparency opens the doors for improvements to be made across the industry'. Join the discussions online @UtilityWeekLive #UWL19.

Operations and Release Working Group (ORWG)

The latest ORWG meeting took place on 11 June at MOSL's office in Southampton. To start the morning, MOSL's Head of IT Operations, Stephen Winnie, spoke on the recent CMOS release and maintenance schedules for 2019. This was

followed with an opportunity for attendees to workshop a number of topics, including trading party issues, syntax errors, duplicate message requests and ID violations. We will be issuing an invitation to the next meeting, scheduled to take place on 13 August, once the location and agenda have been finalised.

Trading Disputes Committee Report

On 30 May, we published our second [Trading Disputes Committee Annual Report \(TDCAR\)](#), providing an overview of the work undertaken by the Trading Disputes Committee (TDC) in the 2018/19 financial year. The report also provides a breakdown of the disputes raised and highlights key themes that have arisen during 2018/19.

User Forum

The next User Forum will take place at the America Square Conference Centre in London on 20 June.

The morning will include an update on the Market Audit from PWC, which has this year adopted a data-led approach. MOSL's Market Performance team will also provide an early update on the Market Performance Operating Plan (MPOP).

In the afternoon, there will be an opportunity to find out more about the work being undertaken by the Retailer Wholesaler Group (RWG), followed by vendor presentations from DigDat and Occutrace. These sessions are part of our approach to understanding the technologies and services that can contribute to solving market frictions and improving the customer experience. We will also hear from Gerard Lyden, from Thames Water, on their accelerated programme focused on data quality and meter reading.

The full agenda is available on the Groups page of the MOSL website [here](#).

Feedback

We welcome your comments and suggestions on the content of the monthly *Market Focus* update.

Please email the [MOSL communications inbox](#) with any comments.