

market focus

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

Improving data quality

Our [Market Performance Operating Plan](#) (MPOP) is focused on tackling data and performance issues relating to settlement and switching. These priority areas have been given a stronger focus following the publication of CC Water's latest customer complaints data, which shows a doubling of complaints overall, and in billing in Q2 2018/19, compared to the same period in the previous year. In addition to addressing this concerning trend, the re-commencement of the final settlement reconciliation process (RF) in April 2019 provides another pressing need for trading parties to accelerate their work to improve data and performance levels, supported, wherever possible, by MOSL.

Driving this market improvement is a top priority for us. To this end, we recently requested data improvement plans from all trading parties and received responses covering 99 per cent of the market.

These plans show varying levels, and rates, of improvement and ambition. We have identified six retailers who, we believe, have submitted plans which do not match the pace of improvement required. We are now working with them to review how these plans can be improved and amended accordingly.

A key goal for these plans is to achieve a significant increase in the value of settlement based on actual meter reads, which will in turn improve the accuracy of bills for customers. At market opening, we saw that 7 per cent of meters were unread for twelve months. Since then, this has increased to 15 per cent of meters unread for the same period.



It is vital that for the market to improve, we work with trading parties to buck this upward trend. The plans as initially submitted by trading parties show an overall improvement to 10 per cent by March 2019 and 4 per cent by March 2020. We do not believe this level of ambition is proactive enough in addressing concerns about the market's ability to deliver customer expectations. We will continue to work with companies to see where they can improve the pace of improvements.

We are now seeing the first months of actual data coming in to compare against the forecasts submitted in trading parties' data improvement plans. This data shows a mixed picture. There are encouraging signs of improvements with some metrics, including estimation metrics such as Yearly Volume Estimates (YVE). However, we have not yet seen the improvements we expected in meter reading performance.

The common themes we have seen and called out around this work, show that both retailers and wholesalers can act to improve performance. There are very real opportunities for retailers to accelerate

improvement by ensuring that all their customers' meters are scheduled to be read and that once read, they are submitted to CMOS. We have expressed concern to a number of trading parties, that some of these basic steps have not previously been recognised or addressed.

As part of retailers' commitment to improving performance, we also see it as vital that wholesalers work in partnership with retailers to prioritise data improvements in the area of wholesaler owned assets, including location data and addressing meters unread since before the market opened.

In addition to a focus on improving data quality, in October we initiated the Initial Performance Rectification process for eight retailers and six wholesalers against a range of Market Performance Standards (MPS) measures. This will allow us to report against trading parties' plans to the Market Performance Committee (MPC) and Panel and to work with trading parties to ensure their focus on these key performance issues is sustainable and maintained.

Business Plan 2019/20

We are pleased to confirm that the MOSL 2019/20 Business Plan has now been formally approved by our members. You can access it on the News & Views section of our website [here](#). The Business Plan received overwhelming backing from all our member categories.

The Business Plan makes it clear that real progress is needed towards resolving key issues in the market, and sets out four priority areas for the upcoming year:

- ◆ Improving market performance in key areas, especially around data quality
- ◆ Working with the market to develop a market-wide solution which resolves the problem of poor quality bilateral engagement between trading parties
- ◆ Ensuring the market is stable and resilient – making it easier to use

CMOS, and making sure MOSL's transition to the new base in Southampton goes smoothly

- ◆ Making it easier, smoother and faster to implement change within the market, for example by improving the efficiency of the change process.

In the 2019/20 Plan we are launching a new ring-fenced Market Improvement Fund of £250k to give us the flexibility to drive improved performance in key areas not currently covered by the Plan – giving us the ability to respond in real time to new opportunities where we can make a big difference and

add value to the market. The Business Plan also includes an initial £600k budget to allow us to make real progress towards a bilaterals solution, which will be taken forward if the MOSL Board approve the business case at their meeting in February. To read more about the bilaterals

project and progress so far, please see the below article.

We are looking forward to working with the market to deliver the Business Plan objectives, building on the good foundations laid down since market opening.

	2019/20 budget	2018/19 budget	Var. £	Var. %
Base cost	8,345,999	8,901,254	(555,255)	(6%)
Market audit	500,000	800,000	(300,000)	(38%)
Change	1,000,000	1,000,000	-	-
Total (excluding projects)	9,845,999	10,701,254	(855,255)	(8%)
Bilaterals	600,000	-	600,000	-
Market improvement	250,000	-	250,000	-
Total	10,695,999	10,701,254	(5,255)	0%

New interim CEO

On 5 December, Des Burke joined MOSL as interim Chief Executive. He will be in the role until a new permanent Chief Executive joins us.



Des has a range of leadership and project delivery experience in complex businesses

operating within regulated sectors, where strong relationships are key. His most recent role was CEO of Prudential Global Data Services (PGDS), where he led a technology company with a remit to deliver a wide range of digital and IT services to the Prudential Group of regulated companies. Before that, he held senior roles in the investment bank Morgan Stanley and BP, delivering IT project design, management, delivery and compliance in regulated companies.

Announcing the appointment in a letter to MOSL's members, MOSL Chair, Jim Keohane, said the Board was keen to make sure

that over this period MOSL has clear leadership to deliver the progress needed both in the market and for MOSL as market operator. He said Des was ideally placed to do this, with his experience leading large and complex businesses where compliance, project management and stakeholder engagement were critical.

On joining MOSL, Des emphasised that meeting and working closely with trading parties and the regulator was a high priority for him, and he has already begun a series of early meetings.

We would like to take this opportunity to thank Chris Scoggins for his service and wish him well in the future, and to officially welcome Des Burke. We look forward to working with him, as we continue to strengthen our engagement with members.

Developing a bilaterals solution

In publishing our Business Plan 2019/20 we have identified bilaterals as one of our industry's priority areas for the upcoming year. This follows early engagement with our members at the end of last year to better understand their respective bilateral solutions and common challenges faced across the industry.

Bilaterals activity has gained a lot of momentum in the past few weeks. We have outlined a budget of £600k in this year's Business Plan to map out the project resource costs, domain expertise and understand in greater detail the affected codes changes. In doing so, we recognise the need for increased engagement and communication with our members and the wider market, to ensure trading parties are confident in the pace and scope of the project.

Next week we will be issuing a Request for Information (RFI) to clarify a number of questions raised by trading parties at recent industry forums and through their Portfolio Managers on bilaterals.

The RFI will give trading parties the opportunity to contribute

to the process and provide recommendations to the scope of the bilaterals project and the potential solutions. It will also set out our position to-date following the past 12 months of engagement with members through various forums, and through the Digital Strategy Committee's survey which was sent to senior IT leaders at the beginning of this year.

In creating a business case for the bilaterals project, which will be presented at the MOSL Board in February, it is important that we address any questions or concerns trading parties may have, particularly around the scope, initial cost and governance arrangements for the project. It is our intention that the RFI will capture these concerns and provide confidence that they will be addressed in the solution phase and planned progression of the bilaterals piece. Feedback from the RFI will help shape and strengthen the business case and ensure we are on the right track to developing a solution that will truly benefit the market, its participants and its customers.

Market charts

We have now published our market data charts for December on the [MOSL website](#). These provide key information about the non-household retail water market, including switching rates and aggregate settlement values.

There have been 194,713 switches as at the end of November, representing 7.3 per cent of the 2,672,463 supply points in the market. This represents a switching rate of 14.9 per cent in terms of consumption.

November was dominated by multi-site switches – in contrast to October switching activity. As such, the number of switches

in November for the [M2 supply point](#) customer segmentation reached the highest number, for any customer segmentation, this financial year. The M2 segment includes customers using between 100 to 100 l/d, for example pubs and hairdressers. The top three retailers by number of switching gains in November were Business Stream, Everflow and Pennon Water Services.



Panel meeting

At November’s meeting, Panel members discussed proposals for alternative payment terms, trade effluent meter networks and arrangements for final settlement runs. The Panel also reviewed the caps on volume estimates used in the absence of meter readings.

The Panel will next meet on 18 December and, after a busy period of consultations, is expected to discuss four change proposals on G reads removal governance; Operational Performance Standards charges; changes to the Long Unread Meters Report; and Market Incident Management Plan



amendments. It will also consider the Market Performance Committee’s (MPC) review of retailer cyclic meter reading thresholds.

In January, the Panel will be holding a workshop to review its forward plan and to reflect on how the change process has worked over the last two years. Panel members will use this session to discuss what improvements could be made going forward.

Panel elections

With the current Panel Members’ terms of office coming to an end in March, the Panel is currently welcoming nominations for the April 2019 to March 2021 term. Each constituency of wholesalers, associated retailers and unassociated retailers should elect three members. Existing members can be re-nominated, and elections will be held on 21 January 2019.

We would like to remind trading parties that they can submit a nomination by completing the [online nominations form](#) and sending completed [confirmation and release letters](#) to the Panel

Secretary by 14 January 2019. In order to participate in the election, trading parties must confirm the name and email address of the person who is authorised to attend the Panel Nomination Meeting and vote. The deadline for trading parties to confirm details of their authorised representative to the Panel Secretary is 18 January 2019.

Full details of the election timetable, including how to nominate a candidate and how to vote in the election, are available on our [website](#).

Self-supply forum

On 4 December, MOSL Chief Finance Officer Steve Lyon, and Chief Information Officer Samir Rahim, joined discussions at Waterscan’s Self-Supply Users Forum, providing an update on MOSL’s Business Plan 2019/20 and our digital strategy.

Steve talked through the Business Plan cycle and the important engagement process that allowed us to sense check priorities and get direct feedback from trading parties. He also presented the key priorities and focus for the 19/20 Business Plan and a breakdown of the Plan’s budget.

On MOSL’s digital strategy, Samir spoke predominantly around MOSL’s aim to create a bilaterals solution to reduce friction in the market, by creating a standardised and industry-wide approach to bilateral engagement. Samir discussed how MOSL is helping the industry find solutions for challenges currently experienced across all corners of the market, without the need for regulatory intervention.

He confirmed that the three main workstreams that are currently underway, and will contribute

to the bilaterals business case presented to the MOSL Board in February, include:

- Assessing the likely associated code changes needed to mandate use of the solution
- Getting a clear understanding of industry costs and benefits through a Request for Information (RFI)
- Understanding the technology options through a Request for Proposal (RFP) to vendors.

As market operator, our job is to take account of the interests of the market as a whole, both now and in the future. We are keen that interested parties share their views – whether that is to provide support, or to raise concerns – so that there is a full and open debate on the solutions available.



Change proposal updates

On 3 December 2018, the following three change proposals were implemented in the market codes:

- ◆ [CPW044: Digital Certificates & Public Keys updates](#): This change proposal makes changes to two code subsidiary documents (CSDs), clarifying how public keys and digital certificates are handled by trading parties and MOSL.
- ◆ [CPW045 'Updates to the Service Management Interface'](#): This change proposal provides a series of updates to the service management interface in order to fully reflect the functionality available and ensure it is aligned to the existing systems and solutions provided by MOSL.

and those described in the market codes.

- ◆ [CPW046: 'Changes to the unplanned settlement process'](#): This change proposal extends the timescales for trading parties to request corrective settlement runs and reduces the materiality threshold required to request settlement runs.



Operations and Release Working Group

The Operations and Release Working Group (ORWG) meeting on 11 December will run as a face-to-face meeting through Skype for Business from Southampton. We will

be looking principally at the pipeline changes and other change requests that are under consideration for future releases of CMOS.

Update on transition

We are now settling in to in our Southampton office and have welcomed a number of new colleagues to the team. As well as our commitment to deliver greater cost efficiencies to members as part of the move away from London, we are dedicated to improving our communication with the market, investing in the right technology and finding new opportunities to engage with members. Next

week we will be hosting our first Southampton based User Forum via Skype call from our dedicated 5th floor Boardroom, enabling members to receive the information they need remotely and in real time. We will continue to find new ways of working to support this increase in engagement activity and be sure to introduce new colleagues who are already supporting MOSL and our members at a number of industry forums.

Trade effluent workshop

The Trade Effluent Issues Committee (TEIC) and MOSL held a trade effluent training session on 26 November.

In total, 48 attendees from across seven wholesalers and 17 separate retailers attended along with MOSL and TEIC colleagues. The session focused on an update of TEIC activities throughout the year, looking at:

- ◆ The changes to the application process
- ◆ The guidance documents produced
- ◆ The charging methodology (SVAM) and calculated discharges.

David Nicol, one of the original code architects who worked

for MOSL, spoke on the design intentions with charging, which stimulated interesting debate amongst workshop attendees.

In the afternoon, there were a number of roundtable discussions which covered a range of market issues. Outputs from these discussions and the issues raised were captured, and will be used to inform the TEIC workplan for 2019. The slides for the day and information on the TEIC can be found [here](#).

Other trade effluent guidance documents can be found on the MOSL website [here](#).

CMOS deployments

CMOS Release 5.0 was deployed at the end of October and November and saw a set of patch updates bring CMOS up to 5.0.3. There will be a 5.0.4 technical patch applied in December.

2019 will see maintenance updates applied to CMOS on a quarterly basis rather than monthly to reduce the amount of downtime required of the production environment.

User Forum

The next User Forum meeting will be a three-hour Skype call on the morning of 20 December.

The meeting will include updates on data rectification plans and performance improvement plans. South West Water will be in attendance to present their findings on the review that followed the 'Beast from the East' between wholesalers and retailers, as well as talking through next steps. Yorkshire Water will present their change proposal to amend the threshold to MPS13/14, carried over from the November User Forum.

We would like to advise trading parties that in the New Year, the User Forum will travel to different locations across the country, to make it more accessible for those based outside of London. January's meeting will be held at Southampton Football Club; February's in Birmingham (venue to be confirmed); and March's will be held at the Hilton Hotel in Leeds.

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

November
total was
2,160,350

from the 2,160,350 total, approx.
26% = trading parties
74% = MOSL

Diary dates

Here are some key events coming up over the next month.



18 December	Panel meeting
19 December	Market Performance Committee
20 December	User Forum

News in brief



Wholesaler Interface Group (WIG)

MOSL supports a number of industry-led forums, which in turn support us in ensuring we are engaged with members around key challenges and causes of friction in the market. The Wholesaler Interface Group (WIG), which last met on 12 December, covered, among other things, Market Performance Standards (MPS); Operational Performance Standards (OPS); vacancy management and behaviours; and CMOS test environments. MOSL Head of IT Operations, Stephen Winnie and Water Operations Lead, Zainab Mohammed, attended the December meeting provide expert input into discussions.

Accredited Entity Working Group

The Accredited Entity Working Group met on 4 December. We are pleased that in total ten wholesalers have signed up to the scheme, which allows parties that have completed accreditation to undergo certain operational activities, such as temporary disconnections and metering jobs in wholesaler areas. There are now two fully accredited entities. For more information, please visit the Lloyds Register [website](#).

Good Practice Guides

The Retailer Wholesaler Group (RWG), which is a trading party led forum made up of wholesalers, retailers, CCWater, MOSL and Ofwat to cover the Operational Terms, have produced a number of good practice guides covering temporary disconnections; communications in unplanned events; and leakage allowances. These guides are provided to support all trading parties and aim to standardise guidance for both wholesalers and retailers in these operational processes and in tackling key market issues. We would like to remind trading parties, that the documents can be found on the MOSL website [here](#).

If you have feedback on these good practice guides, please contact [Zainab Mohammed](#).

Welcome new trading parties

We are pleased to announce that during the last month two new retailers have entered the market, County Water and Stonegate Pub Company. County Water has entered the market as a retailer and wholesaler. They hold an Instrument of Appointment (IoA) to supply sewerage and will be competing within Oxfordshire county only. Stonegate Pub Company has entered the market as an unassociated self-supply retailer and holds a WSSL. This brings the total number of retailers to 48. We look forward to working with both County Water and Stonegate Pub Company in the months ahead. For a full list of trading parties in the market, please visit our [website](#).

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.