

# Annual Market Performance Report 2020/21



# Introduction from our CEO



**Sarah McMath**  
Chief Executive Officer

**It is my pleasure to introduce this year's Annual Market Performance Report (AMPR), which focuses on our market improvement activities in 2020/21 and the work we have undertaken with both the Market Performance Committee (MPC) and with trading parties to identify and resolve the root causes of key market frictions.**

The report also reflects on our delivery against the Market Performance Framework Roadmap (MPF) and our wider improvement work, which was captured in last year's Market Performance Operating Plan (MPOP) and is integrated into our new three-year business plan. We also outline our approach to the 2021/22 MPOP.

This last year was unprecedented. Working practices changed dramatically as a result of the pandemic and this had a direct impact on customers' water consumption. Non-household premises were forced to close, often for extended periods, presenting new challenges for the market.

The market responded to these challenges swiftly, collaboratively and with customers' interests at heart. One positive we can take from the last year

is that it showed the strength of the market to adapt to rapidly changing circumstances, and the importance of working together.

However, some challenges remain, and new ones will emerge as we continue to transition back to 'normal' operations and reconcile the impact of the last year. It is important we continue to address existing market frictions and build on the lessons from the last year, as this will provide a stronger foundation to withstand future disruption.

I am encouraged by the way we came together across the market. As market operator, we have continued to meet our obligations, providing support and guidance to our members and market stakeholders, as well as additional insight and expertise.

By continuing to track trading parties' performance whilst taking the necessary action of suspending rectification plans and performance charges and deferring some payments, we have sought to provide a clear picture on the emerging trends and overall impact of the pandemic. We understand that access to clear information is invaluable.

As we reflect on both our and trading parties' performance over the last year, it is important we look forward too. The market continues to mature, and next April will mark five years of the largest competitive water market in the world – providing a moment to reflect on how the market has delivered for customers and identify opportunities for how it can continue to improve.

# Executive Summary



**Adam Richardson**  
Market Development Director

**The impact of the COVID-19 pandemic on all businesses, from major corporations to small retail outlets, regardless of sector or segment, or location, has been felt across the water industry. Supply chains have been disrupted with resulting demand for services hitting different sectors in different ways and at different times.**

The significant amount of work put in by colleagues within MOSL, the [Market Performance Committee \(MPC\)](#) and across trading parties over the last year to ensure continuity of service and performance, reflects the collaborative and determined response from the industry .

This year's AMPR draws upon our experiences of deploying the [Market Performance Operating Plan](#) through this challenging period.

The overall cost of delivering the [Market Performance Framework \(MPF\)](#) was lower in 2020/21 compared to 2019/20. This was, in part, due to a reduced spend as we moved to online meetings and away from use of contractors and interim resources.

Through the year, we have worked with trading parties, Ofwat, CCW and the Panel's Market Performance Committee (MPC) to ensure that we use the flexibility in the MPF and associated reporting activities to focus on market risks.

While the pandemic has meant that task volumes have dropped in some areas, performance has been maintained in many respects. We will need to be vigilant to potential performance challenges across trading parties as lockdown unwinds, as task volumes increase and as more meter readings are taken through 2021/22.

Providing accurate meter readings into settlement remains key. Lockdowns made meter reading harder and we have continued to focus on this key area of the market. To complement this, we developed additional monitoring to provide information on vacant sites, the quality of estimation and the overall variation in consumption and charging between settlement reconciliation runs. These areas demonstrated the value in looking at market performance and behaviours in a wider context. They also provided insight into the different approaches being taken by trading parties and led to constructive and detailed conversations to support maintained or improved performance.

We have taken further steps to develop [Additional Performance Indicators \(APIs\)](#) focused on data quality and other aspects of vacancy. This flexible approach will complement the monitoring of defined Market and Operational Performance Standards. This report outlines other candidate areas for consideration for APIs and these will be developed for the Market Performance Operating Plan for 2021/22.

Our experience of the past year has also reminded us of the importance of having a relentless focus on customers and ensuring better customer outcomes are central to our decision making. Our [data insight](#) work will develop a better view of customers. In addition, the review of the Market Performance Framework will consider revisions to Market and Operational Performance Standards, providing incentives in areas which will give the largest customer benefit.

Taking a holistic approach to the Market Performance Framework will be a priority for the coming year and I look forward to working with the Market Performance Committee and trading parties as we move through 2021/22 and develop a performance framework that is fit for the future.

# Market Review

The market welcomed four self supply retailers and one unassociated retailer in 2020/21, and saw a number of trading party mergers and acquisitions.



**Markus Lloyd**  
Head of Market Improvement

## Types of Trading Parties

Wholesalers	18
NAV/Regional Wholesalers/Retailers	13
Associated Retailers	09
Unassociated Retailers (including self supply)	28
Independent self supply	1
Waterscan managed self supply	15
<b>Total</b>	<b>68</b>

## COVID-19 restrictions had noticeable impacts

### When compared with 2019/20:

- Annual non-household (NHH) consumption reduced by 23 per cent
- The number of internal long unread meters has doubled
- Annual actual meter readings, used to calculate first settlement reconciliation of charges (R1), reduced by three per cent.

### Settlement

- Primary charges reduced by 18 per cent at R1 compared to the previous year
- Retailers have managed reduced consumption estimates using the yearly volume estimate (YVE) capping mechanism for more than 300,000 meters
- Consumption was underestimated by up to 8 per cent when comparing the first and third settlement reconciliation runs.

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# Market entry and exit

**The market welcomed four self supply retailers and one unassociated retailer in 2020/21, and saw a number of trading party mergers and acquisitions.**

## **This year, five new entrants successfully joined the market: Four self supply retailers (managed by Waterscan)**

[Sainsbury Plc](#), supply 1792 sites across England. This includes distribution centres, superstores and convenience stores of Sainsbury's Supermarkets Ltd, and Argos stores and their associated distribution centres. Ofwat granted their license on 29 June 2020

[Sefton Council](#) is a local authority in the North West of England and part of the Merseyside/Liverpool City Region. Sefton Council supply 213 sites across the area and service corporate and school sites. Ofwat granted their license on 14 July 2020

[David Lloyd Leisure Limited](#) is a health, sport and leisure group with 100 clubs across Great Britain with sites including swimming pools and gyms. Ofwat granted their license on 2 October 2020

[Arla Foods Limited](#) is the UK's largest dairy company. Ofwat granted their license on 15 January 2021.

### **One unassociated retailer**

[ConservAqua](#) offers tailor-made packages to business customers for the supply of water. Their core target audience is golf and leisure facilities. Ofwat granted their license on 11 June 2020

## **Market Exit**

**Affinity for Business** sold their customer book on 1 April 2020 to Castle Water. They have retained their license in the market which Castle Water maintains

**Three Sixty Water's** customer book was bought by Business Stream. They officially left the water market on 21 September 2020

**SSE** transferred its customer base to Leep Water Networks. Leep Water Networks gave up their license (PEEL-R) on 1 October 2020 and now operate using the SSE license

**Utility Bidder** were a dormant member. A wholesaler, unassociated retailer or associated retailer, which has, for a period of at least 12 continuous months not had at least one supply point registered to them in the central systems, shall be deemed a dormant member that officially left the market in November 2020.

# Market Switching

Switching activity was at its lowest during the periods of national lockdown



Further information, including up-to-date information on customer switching and consumption categories is available on the [Market Charts](#) page of the MOSL website.



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# Customer impact

**As outlined in our [2021-24 Business Plan and Strategy](#), customers are central to our decision-making. This means we need to change how we address challenges to focus on better customer outcomes such as improved billing, with granular customer segmentation and consumption data.**

The need for greater customer segmentation became clearer when non-essential businesses were instructed to close. The government guidelines used Standard Industry Classification codes to determine the categories for essential and non-essential businesses. This meant we needed to understand the potential impacts on the market by leveraging CMOS capability to group customers according to industry standards. Accurate customer segmentation will enable us to better understand the immediate and future impacts of Covid-19 and other systemic challenges such as water shortages.

The imposed national lockdown meant many businesses, not defined as “essential”, closed their premises in a manner which did not meet the industry definition of vacant premises.

In response, Ofwat and MOSL introduced the temporary vacancy flag set out in change proposal [CPW091: ‘Temporary Changes to Vacancy’](#). The use of the COVID-19 temporary vacancy flag ensured settlement reflected that sites were closed, which facilitated appropriate customer billing. The terms set out in the change proposal provided retailers with the ability to mark premises as temporarily vacant where they were fully closed or

where activities had reduced by 95 per cent. It was a means for identifying reduced consumption of 95 per cent or where there were significant challenges to obtaining accurate meter reads.



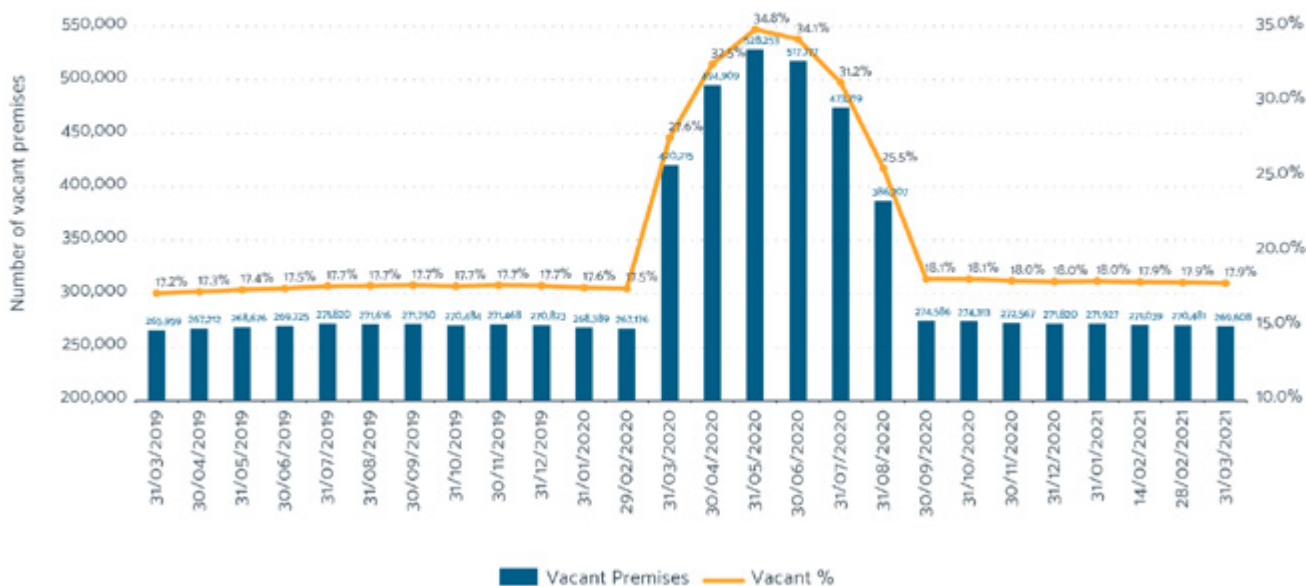
Using the occupancy status of vacant for premises which did not meet the industry definition had the potential to create inaccurate future reporting on occupancy. The permitted use of the temporary vacancy flag ceased at the end of July 2020 as lockdown restrictions were lifted and a two-month period of “unwinding” began. Removal of flags Flag removal was reported by MOSL. Ofwat, CCW and MOSL established the [Covid Transition Review Group \(CTRG\)](#) to assess the progress of the market as it transitioned out of temporary vacancy measures.

For subsequent national or regional lockdowns, the reduction in estimated consumption was captured by the reduction of Yearly Volume Estimates (YVES). YVEs are examined in further detail within the Market Consumption section of this report.

The application and subsequent removal of the temporary vacancy flag against approximately 250,000 premises can be seen in the 2019/20 Vacant Premises chart which represents the number of premises registered as vacant in each of the settlement months.



Showing Registered Vacant Premises in each settlement month





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# Market Consumption

**This year's report reflects on the consumption over the previous two years to compare the pre-pandemic consumption with the impact of lockdown restrictions on trade for non-household customers.**

The impact on the non-household customers has been varied. We observed sectors such as hospitality, leisure, retail and education were be particularly affected, with retailers applying temporary vacancy flags or reducing YVEs to manage estimated consumption. Marston's PLC, one of the UK's leading independent brewing and pub retailing business and self supply retailer, details the impact of the pandemic from both a customer and retailer perspective.

## Marston's PLC Case Study

Following the Government lockdown announcement on 23 March 2020, all our pub sites were forced to close. The immediate challenges were, firstly to reduce water consumption in line with site closures, and secondly ensure our water invoices reflected the reduced usage on site, at a time when meter reading activity had almost fully ceased.

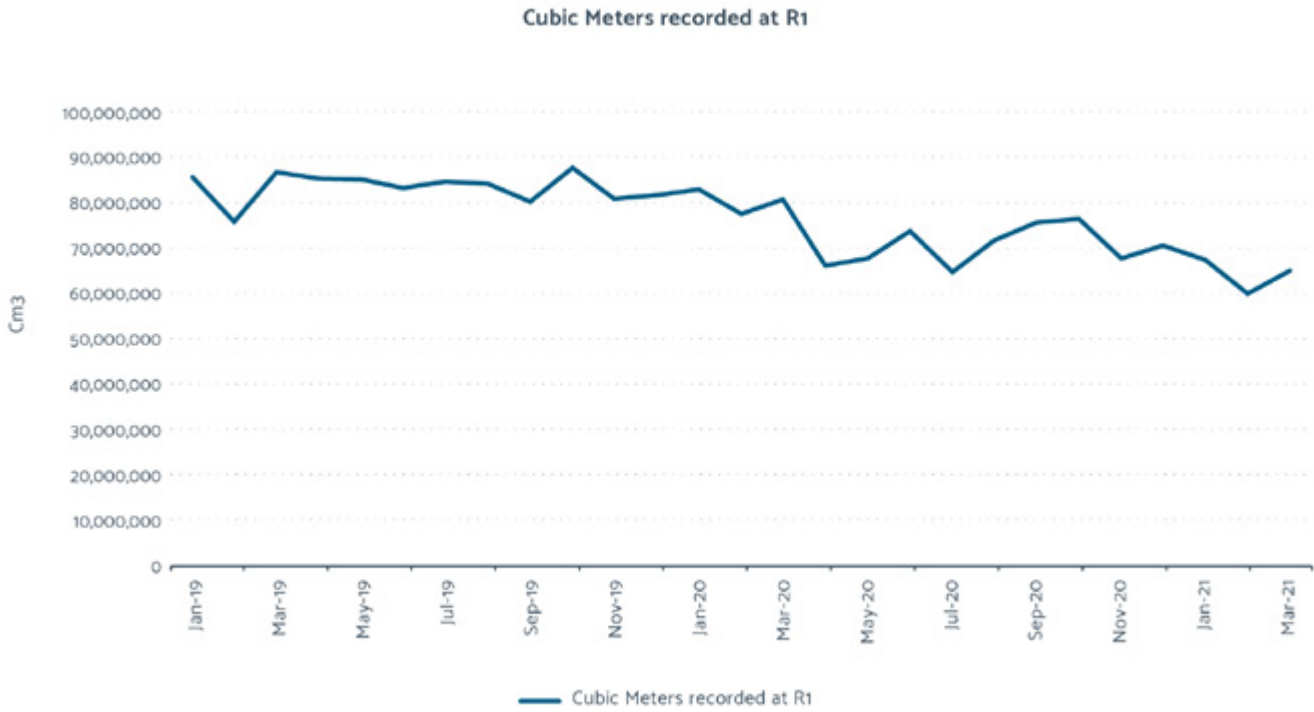
Whilst market discussions were ongoing on the best course of action, we amended the Yearly Volume Estimates (YVE) of all our closed sites to reflect the usage. We utilised the vacancy flag when this measure was put in place and ensured we kept YVEs up to date. This became more important when we removed the vacancy flag after the first national lockdown but had to manage a national portfolio over multiple regional tiers. We continued to estimate YVEs based on the trade levels of open sites whilst the success rate of meter reading in the market was relatively low, or where we were unable to access meters.

We have been able to flexibly amend our meter reading strategy to gather data on site usage to identify inefficiencies and leakage, as well as gathering more accurate data on business usage for financial reporting. Data accuracy and frequency is especially important in working through the variances between settlement reports and our allocated costs at site level. As a self-supply retailer, we were able to amend market data directly at a time of a constantly moving estate without experiencing delays or inaccuracies in our billing.

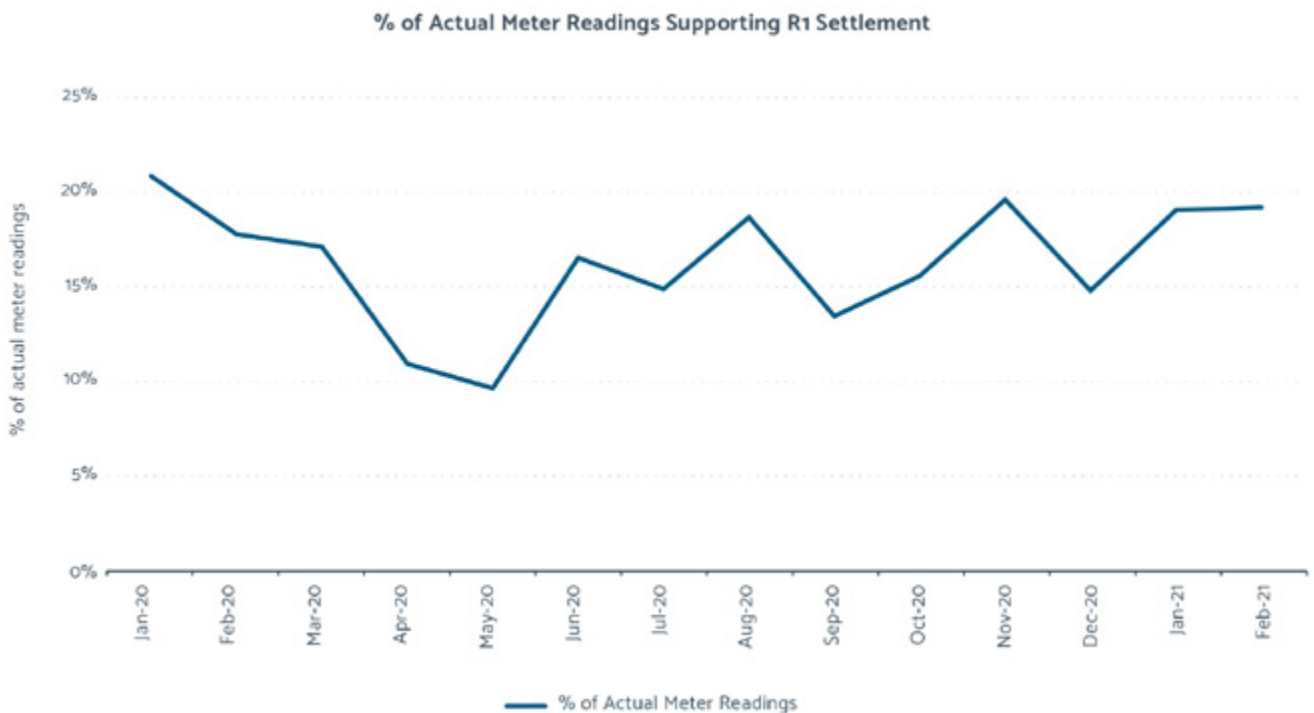
**Chris White**  
Energy Manager  
Marston's PLC



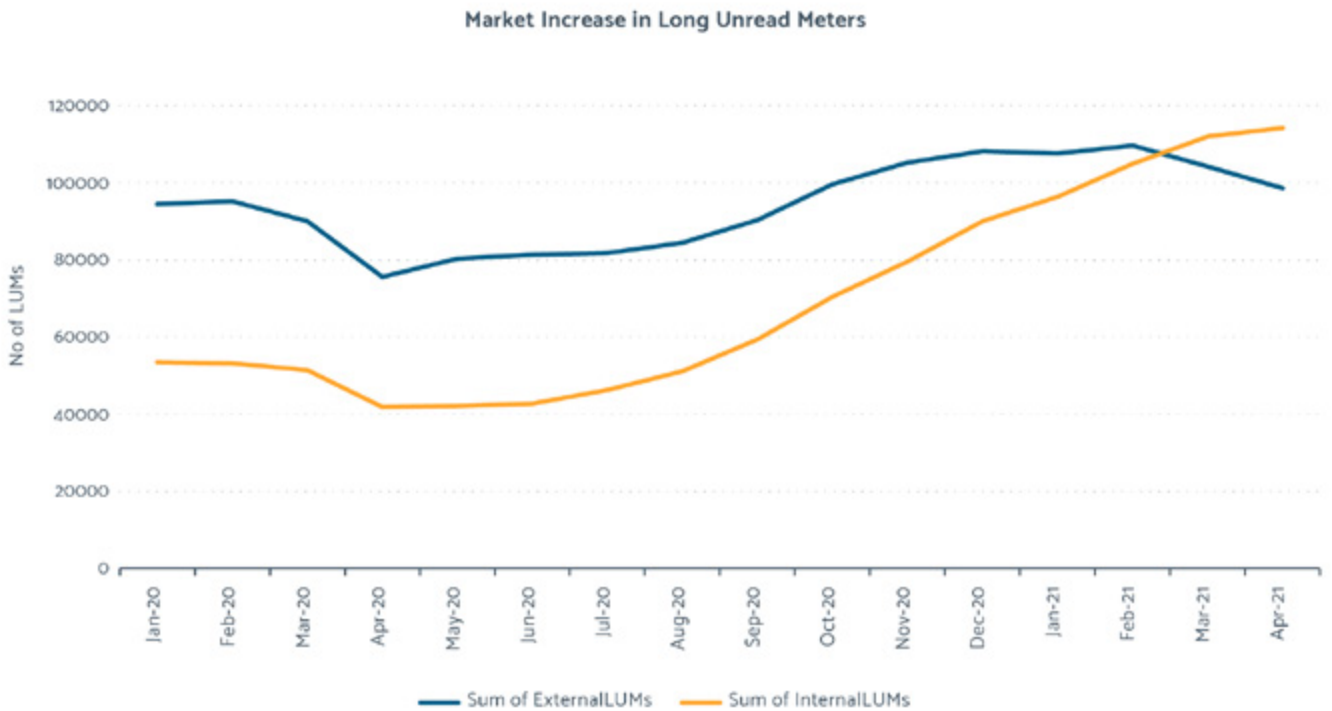
In the market, monthly consumption levels dropped significantly as the first national lockdown was announced, then rose immediately after the lifting of restrictions, before dropping again when further regional lockdowns were imposed. The Consumption by cubic meters per month graph shows this trend.



Access restrictions customer consumption and the ability for meter reader providers to access some meters. This was highlighted by the reduced reliance on actual reads to support the first reconciliation (R1) of charges, with the most notable impacts being over the periods of lockdown.

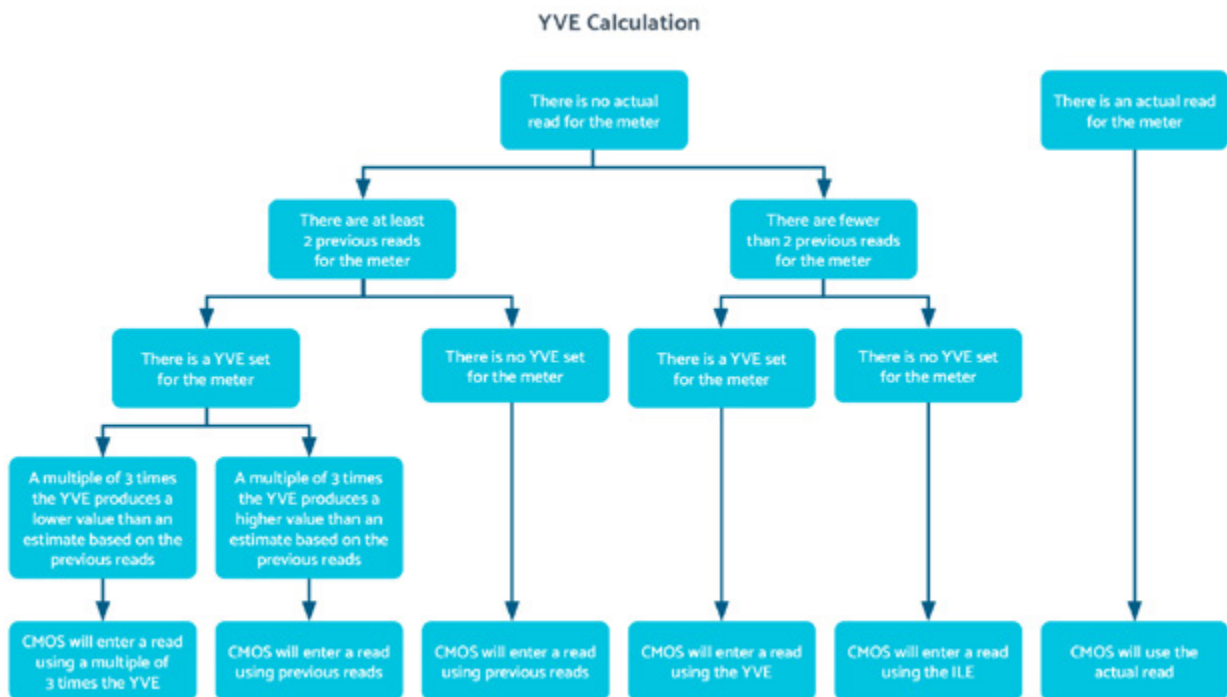


Meter readers found access to internal meters particularly challenging during these periods of lockdown. As a result, we saw an increase in meters which have not been read for 12 months, referred to as Long Unread Meters (LUMs). The speed at which the volume of internal LUMs overtook external LUMs can be seen in the Market Increase in Long Unread Meters table.

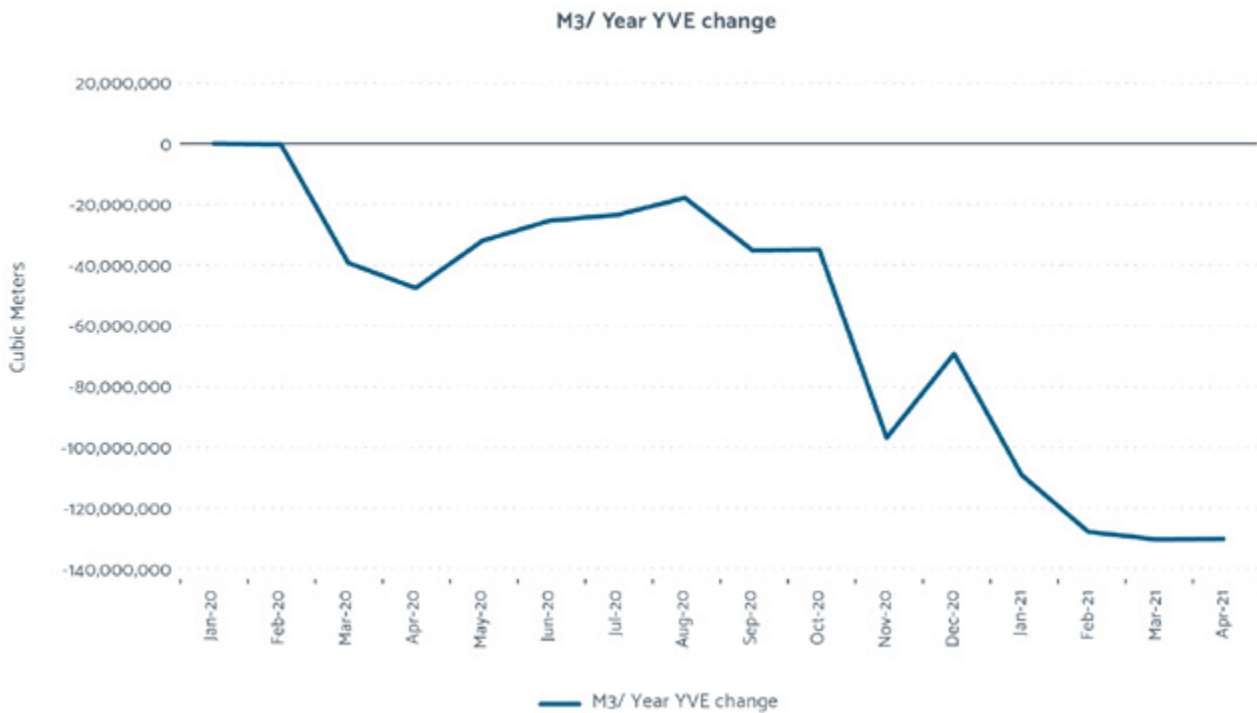


With many meter readings relying on estimates, retailers were asked to review Yearly Volume Estimates (YVEs) which had been applied to those customers whose consumption had reduced, either as a result of reduced trade or because they were no longer occupying their premises.

The key factors in the calculation of estimated consumption are previous historic reads, the YVE and the Industry Level Estimate (ILE) which acts as a backstop by calculating a read based on the average consumption of water depending on the size of the meter. It is used where there are no historic reads or YVEs for a meter. The estimation method used is explained in more detail in the YVE Decision Flow Diagram.



The potential cumulative effect on estimating consumption by trading parties lowering (and sometimes raising) the YVEs, as taken from a baseline of January 2020, is shown in the Cubic Meter / Year Cumulative YVE Change graph.



At the end of 2020/21 the reduction in YVEs suggests that the market could expect, over a 12-month period, to see a reduction in consumption of just over 130,000,000 cubic meters of water. This would equate to a reduction of 13 per cent compared to the annual consumption for 2019/20 (985,500,000 cubic meters).

The Cubic Meter / Year Cumulative YVE Change graph shows a dip in the use of YVEs between April-June 2020. This can be attributed to retailers using the temporary vacancy provisions available to them during this time and explains why the YVE effect was less in the first lockdown, despite that lockdown being the most extensive.

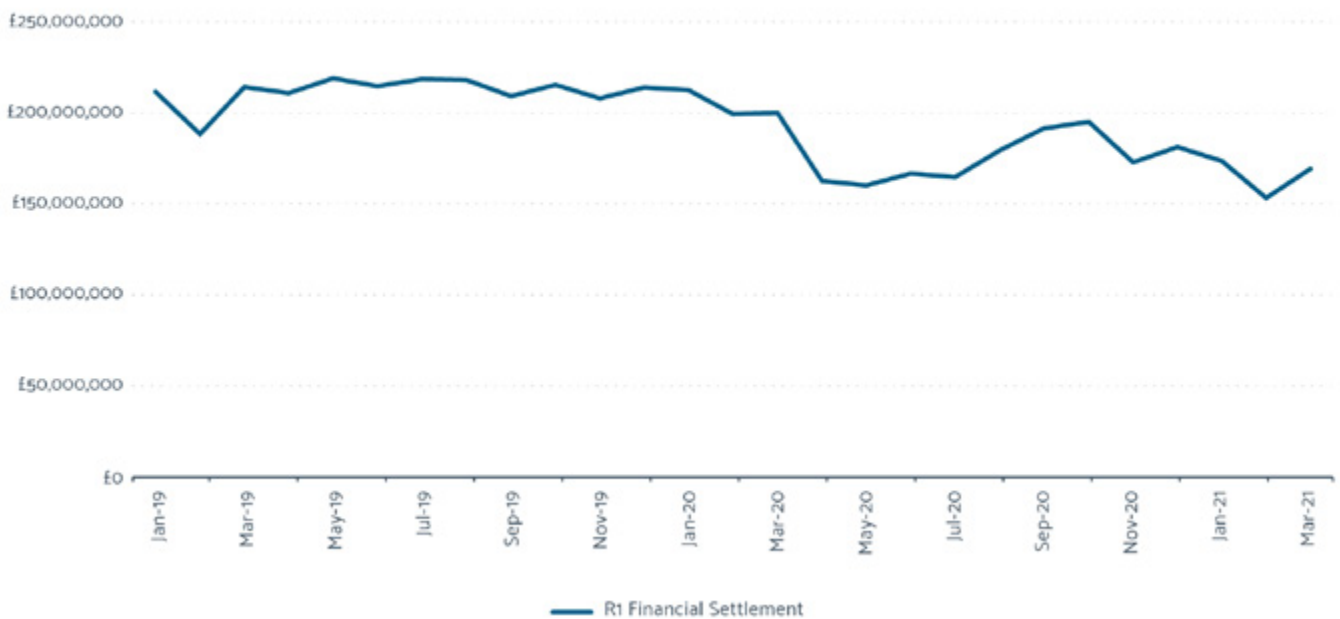
YVE impacts will only materialise if settlement relies on estimated reads. With access restrictions lifting at the end of 2020/21, we expect to see a rise in the overall percentage of actual reads for settlement as well as trading parties recalculating those YVEs which were dropped last year.

# Market Settlement

The total charges settled at R1 has been dropping in line with consumption levels, as can be seen in the R1 Financial Settlement Graph. The graph includes settlement from January 2019 to allow 2020/21 comparison with pre-pandemic settlement.



R1 Financial Settlement

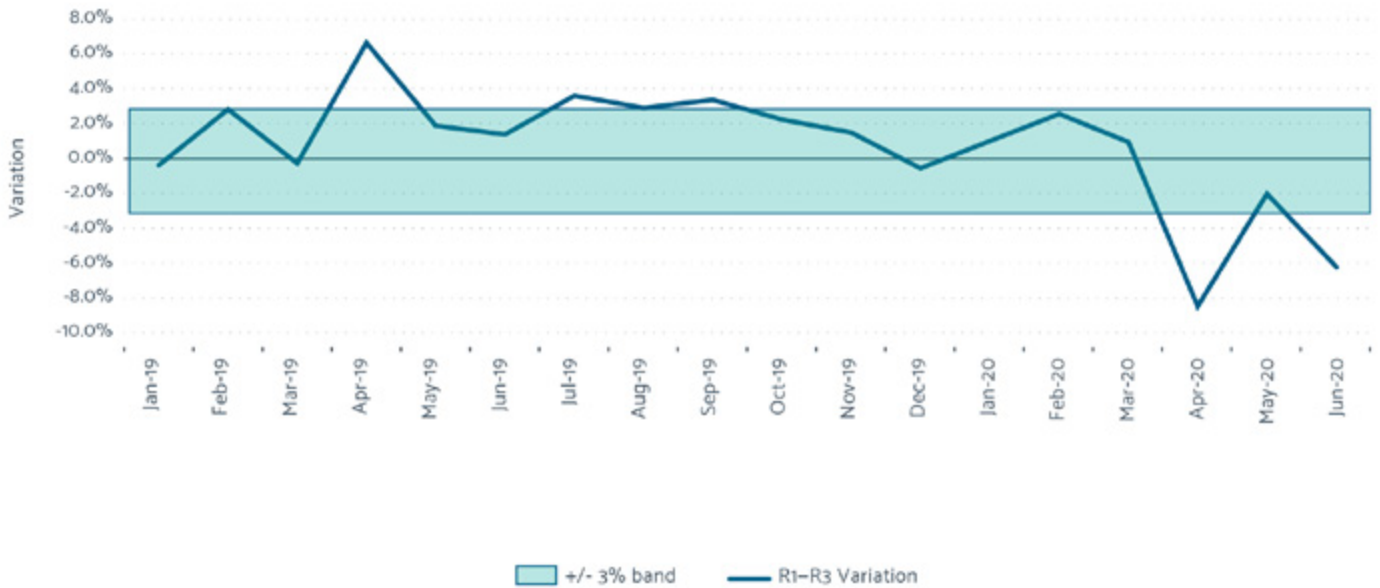


The assessment of the level of parity between R1 settlement and the second reconciliation (R2) (captured two months after R1) and third reconciliation (R3) (captured eight months after R1) has received greater focus because of the pandemic.

Meter readings and submissions continued to be tracked by reporting against the Market Performance Standards, however, the ability to use estimates accurately, including the use of YVEs, has become a key indicator to the accuracy of settlement, especially when meters are difficult to access.

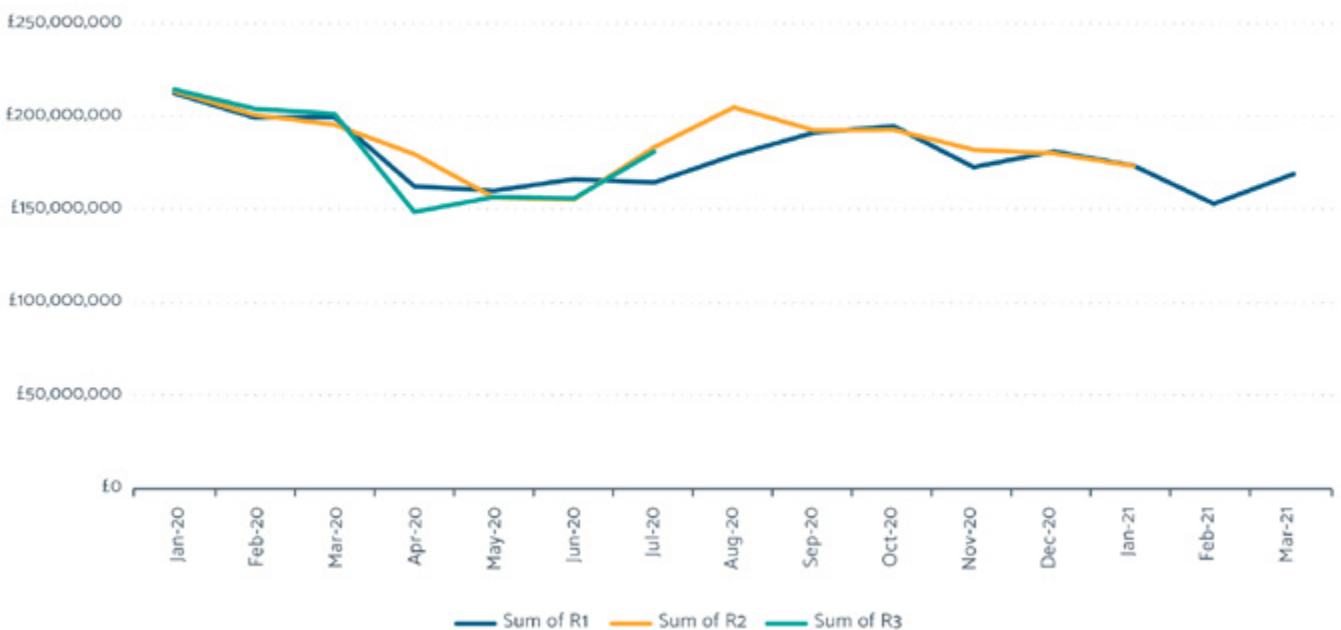
We have not reported on the overall performance of the market in this area in previous years, but it could be represented as R3 typically being within plus or minus three per cent of R1. The R1 - R3 Variation Chart shows the point at which keeping the difference between R1 and R3 within that three per cent range became challenging for the market last year.

### R1-R3 Variation



This has implications both for the accuracy of settlement between retailers and wholesalers and for future customer billing. The settlement impact, noting the disparity between first, second and third reconciliation settlements during lockdown, is represented in the R1, R2 and R3 Settlement graph. It is encouraging to see second reconciliation settlement returning to alignment with the first settlement as the year ends. Visibility of R1-RF differential is currently limited to Q3 of 2019/20. As this becomes available, we will monitor the R1-RF differential as settlement progresses through RF for COVID-19-affected periods

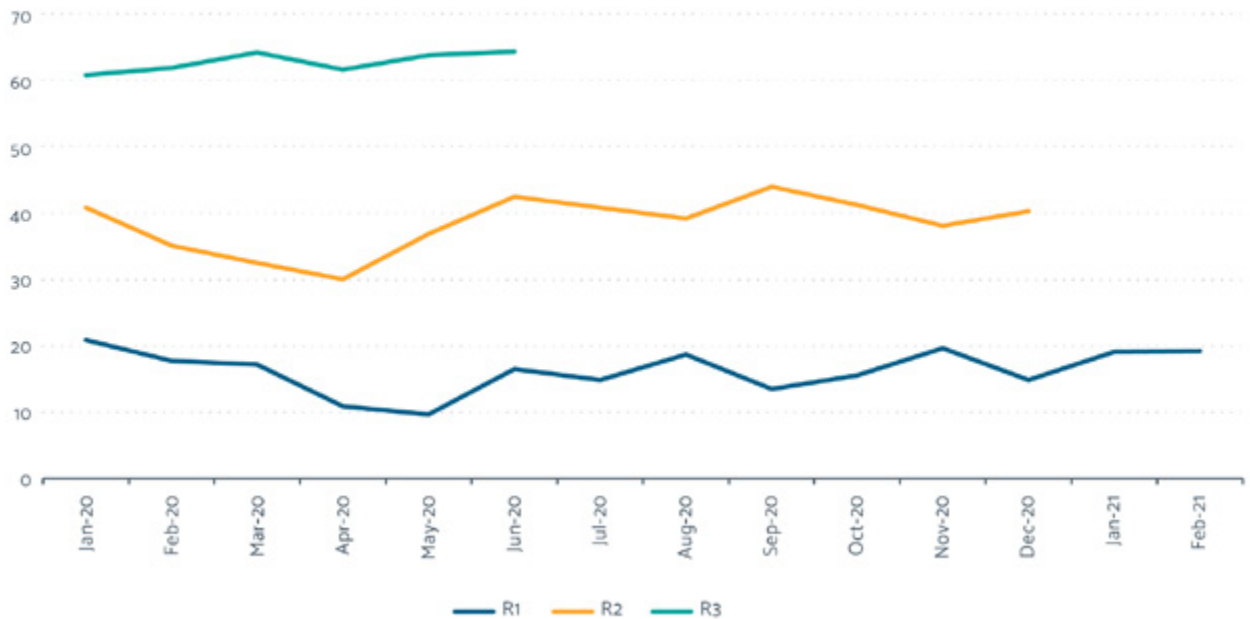
### R1, R2, R3 Settlement





The subsequent impact on customers will depend on when the customer bill is calculated and invoiced by the retailer. We will continue to monitor the levels of actual reads used in the settlement runs as well as the variations between initial settlement and third settlement over the course of next year. This will also support CCW and Ofwat in ensuring customer expectations around their bills, and the accuracy of these bills, are met. This will include the monitoring of individual trading parties against their levels of actual reads at R2, R3 and RF as well as R1. The current market averages for these values can be seen in the Percentage of Actual Reads at Settlement graph.

Percentage of Actual Reads at Settlement



# Market Performance Review

In March 2020, MOSL and Ofwat [announced that all market performance charges and Initial Performance Rectification Plans \(IPRPs\) were being suspended](#) for at least three months to relieve pressure on trading parties. This was implemented through change proposal [CPM023/CPW090: Suspension of Performance Standard Charges](#).

Although charges were suspended, MOSL has continued to track performance and publish [peer comparison league tables](#). The performance timeline below shows the key events which had a direct bearing on wholesalers' and retailers' performance in relation to [Market Performance Standards \(MPS\)](#) and [Operational Performance Standards \(OPS\)](#).

## March 2020 First national lockdown begins

[Ofwat and MOSL announce urgent actions](#) to support market participants and their customers in response to the pandemic.

## March 2020 Change proposal CPW091: Temporary Changes to Vacancy is introduced.

[CPW091](#) enables retailers to apply a temporary CMOS vacancy flag where a premises is completely closed or activities at the premises are reduced by at least 95 per cent.

## April 2020 Priority changes to performance monitoring are implemented

The immediate impact of the changes is on Market Performance Standard 18 (MPS 18) (the taking of a bi-annual cyclic read). The time period for taking this read is extended by three months. For these three months (April, May and June 2020) no tasks fail this standard and therefore, performance is recorded as 100 per cent. (More information on the [Priority Changes \(CPW078/CPM020\)](#) is provided later in this report.

## May 2020 Suspension of charges and IPRPs:

Financial incentives for MPS and OPS tasks are suspended under change proposals [CPM023/CPW090](#). MOSL continues to track and calculate the impact of trading parties failing the standards but no invoices for these failures are raised. Charging resumes in February 2021 (for OPS) and May 2021 (for MPS).<sup>9</sup>remove code.

## July 2020 National lockdown restrictions ease and temporary vacancy ceases:

The permitted use of the temporary flag under the provisions of [CPW091](#) ceases on 31 July 2020. Retailers are required to only use the occupancy status of "vacant" if premises are vacant according to [Code Subsidiary Document No. 0104 \(CSD0104\)](#) [Maintain SPID Data](#)

## August 2020 The COVID Transition Review Group (CTRG) is established:

Under the provisions of [CPW091](#), retailers begin to return all sites with a temporary vacancy flag to a status of "occupied" or "assured vacant". This allows the occupancy status of "vacant" to be used for its defined purpose. The CTRG, established by Ofwat, MOSL and CCW, monitors the progress of retailers 'unwinding' these sites, ensuring all sites are reviewed



**Samantha Webb**  
MOSL Performance and  
Operations Manager

and the occupancy statuses are set correctly before the end of September 2020.

## Nov 2020 Second national lockdown/ tiered regional lockdowns begin:

Some retailers adjust YVEs for non-essential businesses to mitigate the effects of reduced consumption on settlement. The impact varies by region and local approach.

## January 2021 Third national lockdown begins and OPS Charges resumes:

All retailers are affected. OPS Charges resume from 1 January. Further changes to YVEs are made across the customer base.

## February 2021 OPS charges resume:

From 1 January 2021 OPS charges resume; invoices to wholesalers resume in February.

## March 2021 National lockdown restrictions begin to ease:

As restrictions are lifted, businesses reopen in phases. Retailers start to make changes to YVEs to reflect this.

## April 2021 MPS charges resume:

From 1 April 2021 MPS charges resume.

# MPS and OPS Performance

MOSL's [Peer Comparison League Tables](#), which summarise overall performance, now include retailer/wholesaler pairings. The tables are presented with the caveat that trading parties have adopted different approaches to challenges imposed by COVID-19.

Over the course of the year, the market conditions varied according to sector and region, and customers were impacted by Government restrictions and the associated emergency legislation differently and at different times. It is important to consider this when comparing performance across the year and across the market.

Continued reporting and Peer Comparison League Tables showed that market performance continued to rise, although it should be noted that there were fewer MPS and OPS tasks than the previous year.

The year ends with standards on a steadily improving trend. The sudden rise in the overall MPS performance at the start of 2020/21 is due to the implementation of [CPW078/CPM020: 'Priority Performance Regime Changes for April 2020'](#). Read an [explanation of this change and its impact](#).

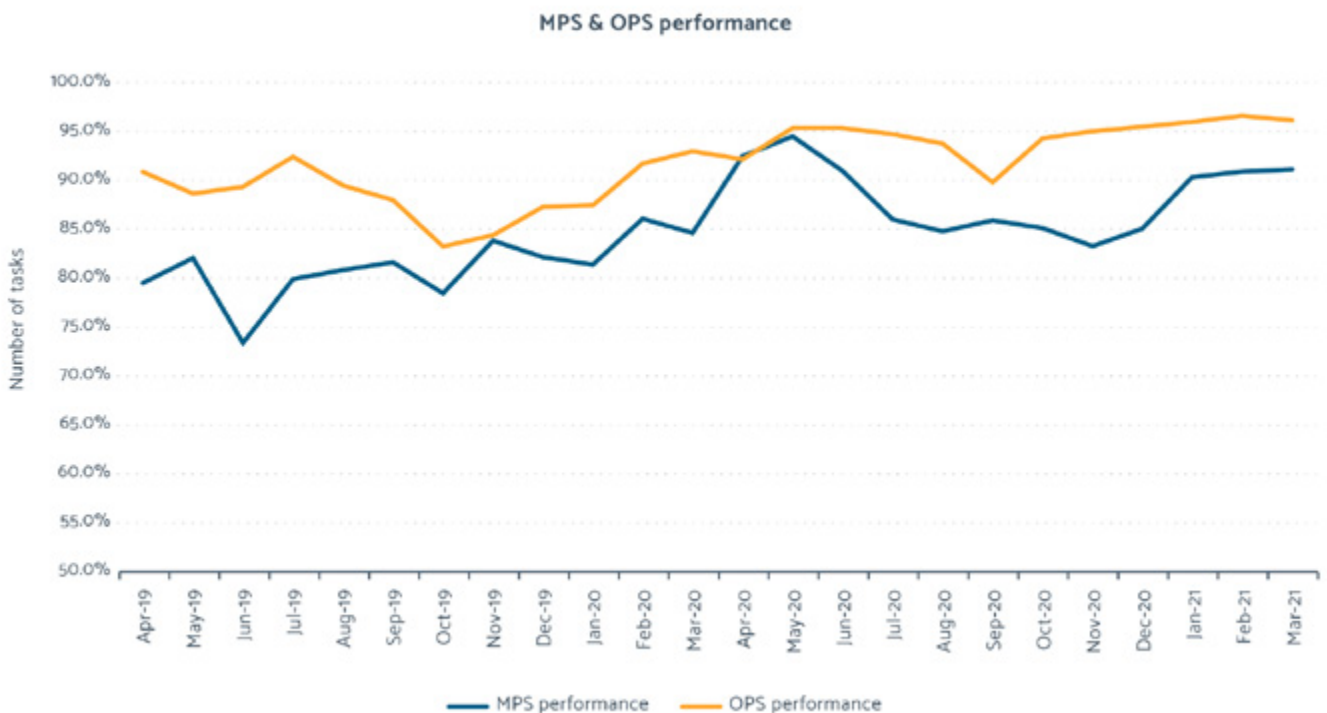
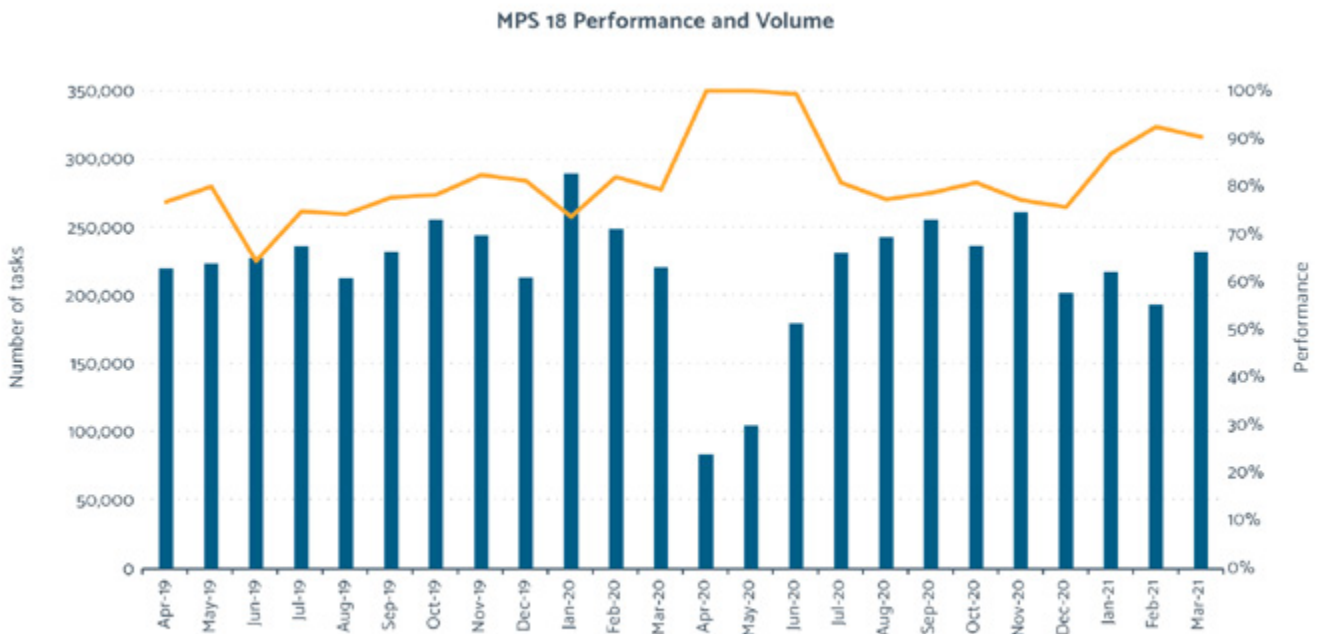


Priority Changes

Measure		Time Parameter 1		Time Parameter 2		Time Parameter 3	
		Days	Charge	Days	Charge	Days	Charge
MPS3	Current	5	25	9	15	n/a	n/a
	Apr-20	10	25	15	15	n/a	n/a
MPS4	Current	8	25	12	15	n/a	n/a
	Apr-20	10	25	15	15	n/a	n/a
MPS12	Current	5	0	13	10	60	15
	Proposed	10	0	15	10	60	15
MPS15	Current	5	0	10	0	60	0
	Apr-20	10	0	15	0	60	0
MPS16	Current	5	0	10	5	60	5
	Proposed	8	0	15	5	60	5
MPS17	Current	-2 / +2	0	5	10	10	10
	Apr-20	-2 / +7	0	15	10	20	10
MPS18	Current	140	0	160	20	n/a	n/a
	Apr-20	200	10	n/a	n/a	n/a	n/a

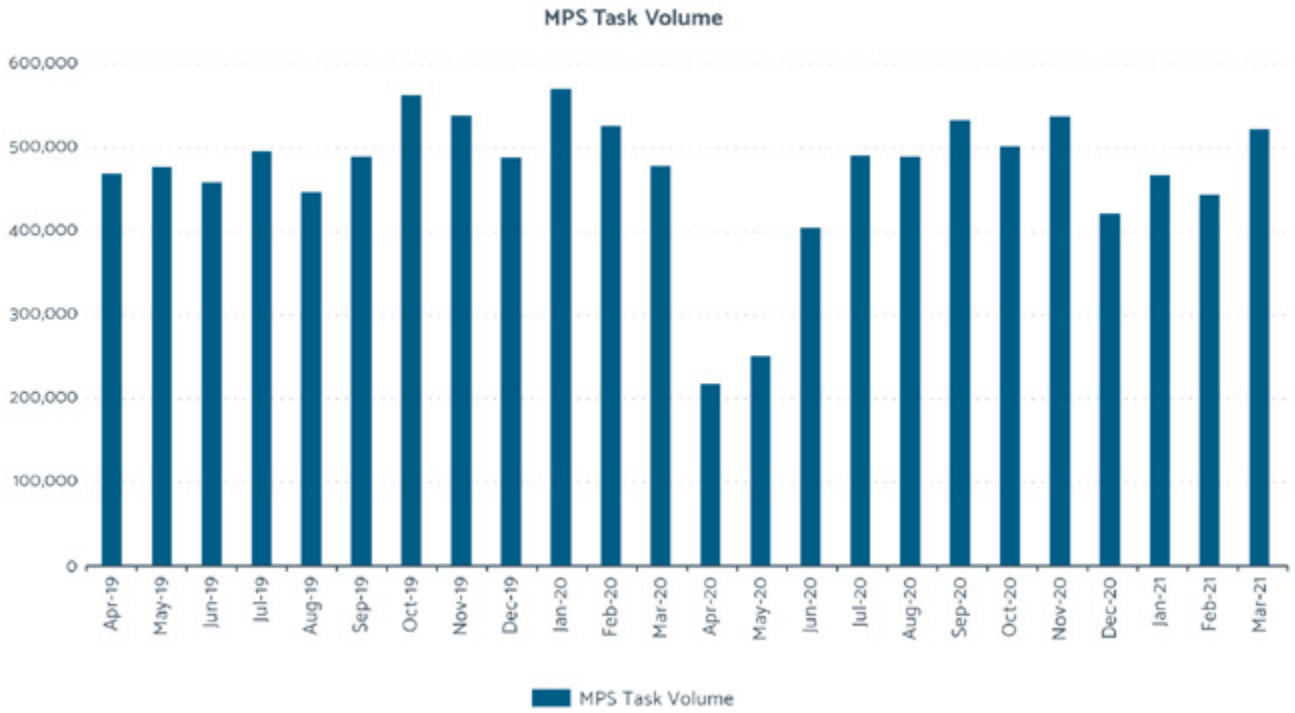
The standard in the above summary with the greatest volume of tasks (and therefore largest impact on performance overall) is MPS 18. This standard drives the requirement to take biannual meter reads. The extension of the deadline by 60 business days gave trading parties more flexibility to carry out their responsibilities. An increase in the overall cap for performance charges, coupled with a drop in charges for failing this specific standard, sought to incentivise greater task completion.

Before the priority changes were implemented on 1 April 2020, [MPS 18](#) was assigned two time parameters: 140 business days to submit a meter read before the task was recorded as “failed” and 160 days to submit the meter read before a charge would be raised for failing the standard. The Priority Changes established a single window, giving the retailer 200 business days to submit a meter reading before a charge was raised. Any tasks approaching the end of their original 140/160 business days window on the 1 April 2020, received an extension of up to 60 business days (to the end of June) to submit the meter read. This meant that there were no failures for MPS 18 between April and June and therefore performance for this standard was 100 per cent.

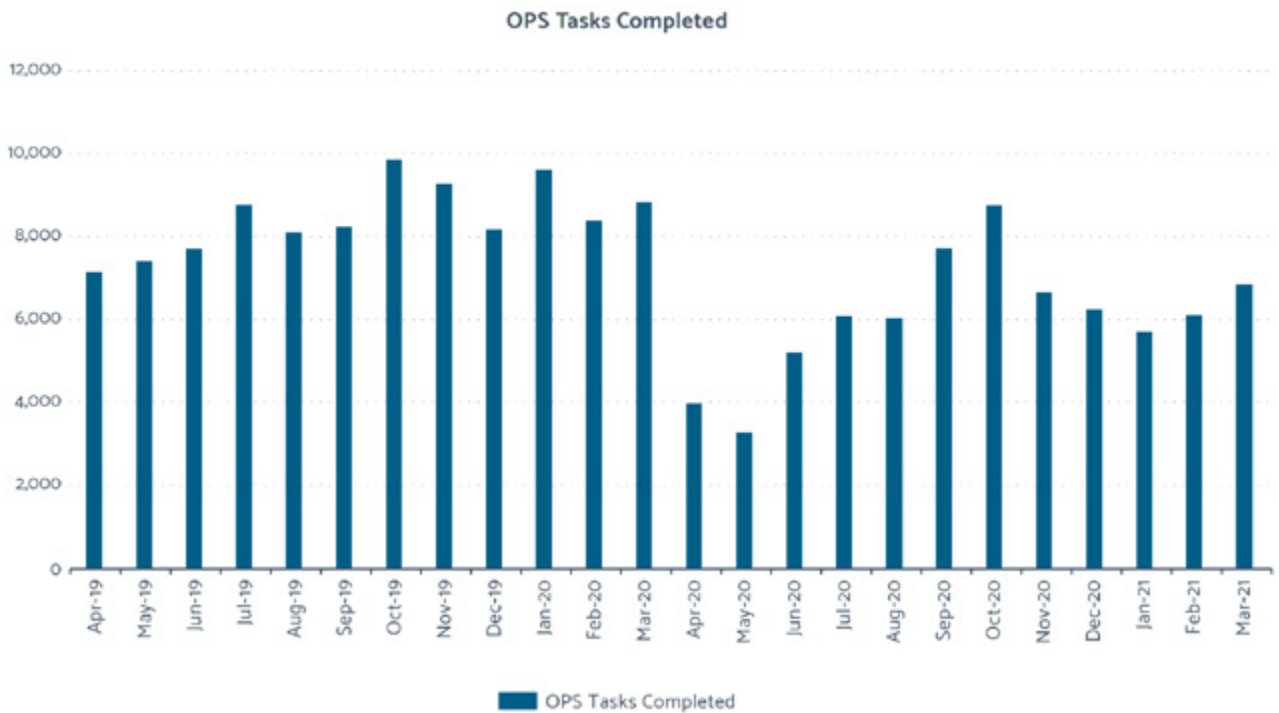


Overall task volumes provide insight into market activity during prolonged periods of lockdown. The task levels are representative of the ability of trading parties to access meters, engage with customers to repair or replace meters and provide context for the performance levels associated with the tasks.

MPS activities reduced immediately when the first national lockdown was introduced but recovered to pre-COVID-19 levels once lockdown was eased. Regional and subsequent national lockdowns reduced this recovery as shown in the MPS Task Volume chart.



OPS activities were reduced at the same time. These took longer to return to pre-COVID levels and quickly dropped again when the tiered regional lockdowns were announced, as shown in the OPS Tasks Completed chart.





# Market Performance Standards and the Customer Journey

This year we have adopted a customer lens to our reporting. Standards have been collated to reflect the following steps in the customer journey.

## Market Entry (MPS 1-5)

These standards capture the provision of customer premises, meter and business data into CMOS. If data is omitted at this early stage then issues can incur at a later date. For example, premises marked as vacant may not be assigned enough resource to subsequently locate and redefine them; meter locations may be inaccurate, or their data may be incorrect, leading to skipped or rejected reads; customer billing addresses may be incorrect, leading to a poor billing experience.

## Market Entry Performance Observation

The pandemic has resulted in fewer new premises being added to in the NHH water market. This is shown by the task volumes which immediately declined as we moved into the first lockdown and remained at a lower volume until the restrictions eased. The effects of the subsequent regional restrictions and second national lockdown delayed the recovery of these task volumes until February 2021 when the UK Government announce the roadmap for the easing of restrictions.

## [Market Performance Standards 1-5

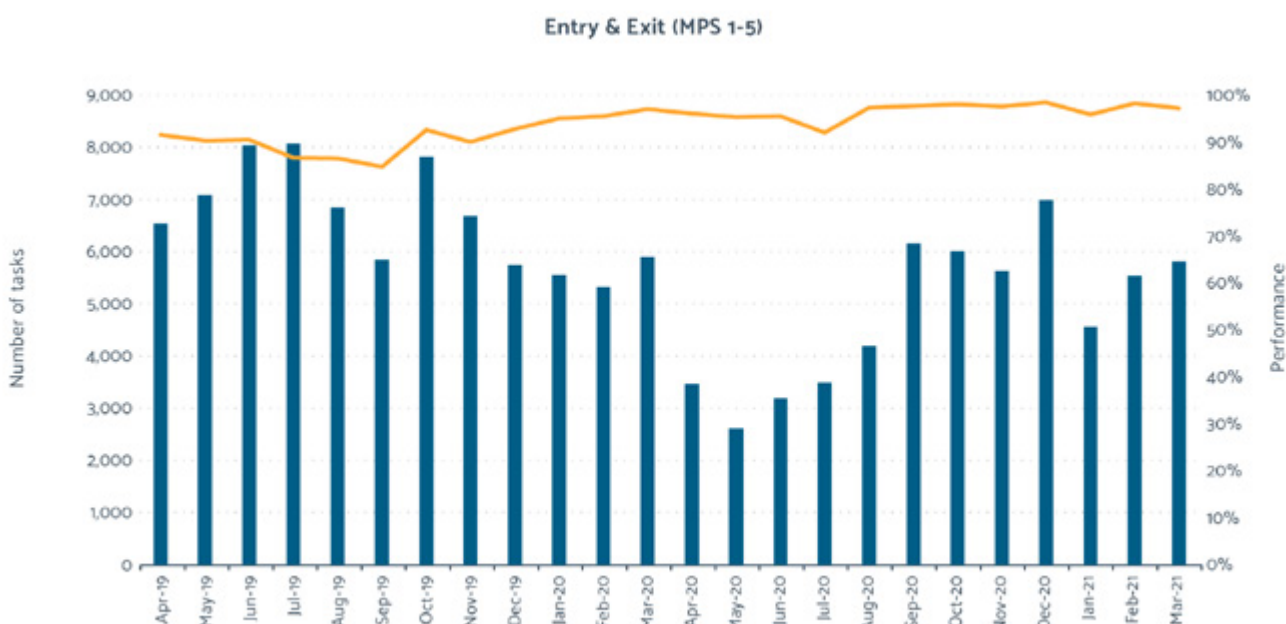
**MPS 1:** Retailer Partial registration. Receipt by the market operator from the retailer of partial registration application / Rejection)

**MPS 2:** Retailer Partial registration. Receipt by the market operator from the retailer of core customer data

**MPS 3:** Wholesaler New connection notifications for activities undertaken by the wholesaler. This applies to the “New” and “New - No Retailer specified” connection type only

**MPS 4:** Wholesaler - Accredited Entity New connection notifications for activities undertaken by an accredited entity. This applies to the “New” and “New - No retailer specified” connection type only, and not to “gap site”

**MPS 5:** Wholesaler Connection notifications for gap site, Gap site - no retailer specified, Entry change of use or entry Change of use - No retailer specified. Undertaken by the wholesaler.





## Metering and Consumption. (MPS 12-15, 18 and 19)

These standards capture the taking and submitting of market and non-market meter readings by retailers and wholesalers (and their accredited entities) to ensure that timely and accurate consumption data supports accurate settlement and customer billing.

**Observation.** Performance has remained high whilst task volumes have reduced.

### Read the definition of the standards which comprise metering and consumption.

**MPS 12** – in respect of cyclic reads for non-market meters, a wholesaler is to submit a meter read transaction within 10 business days of the meter read date contained within the transaction.

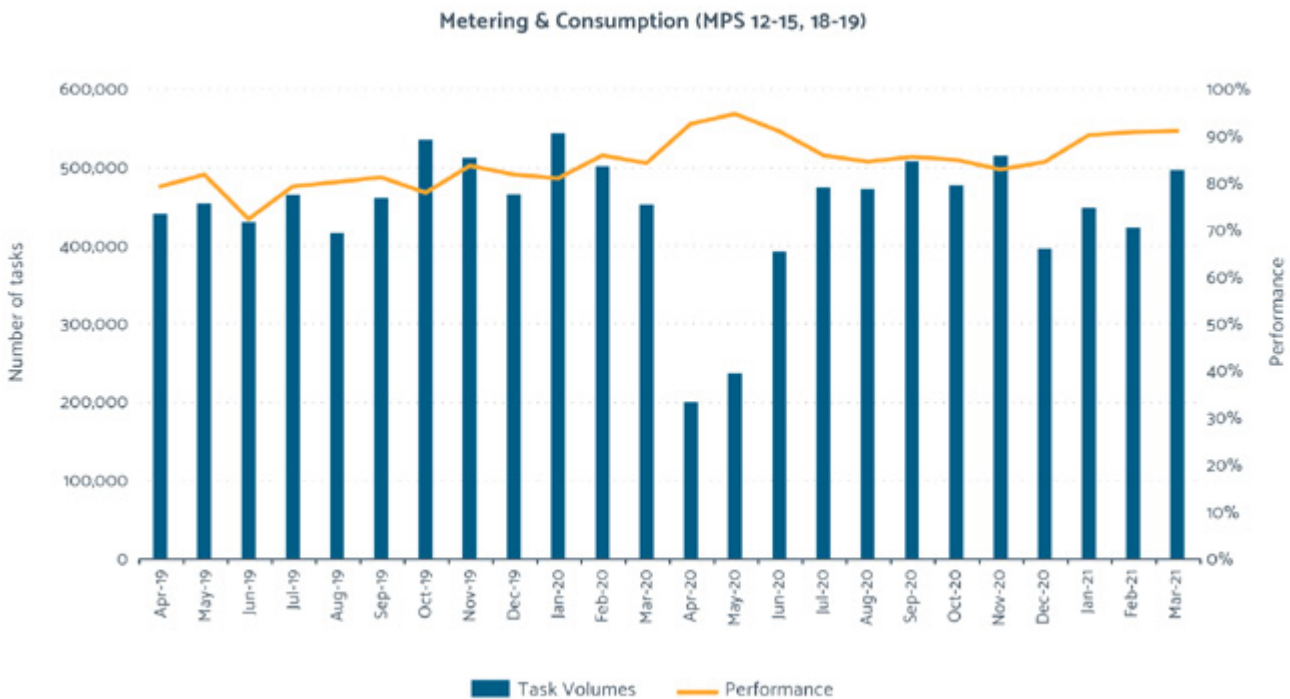
**MPS 13** – biannual meter reads for non-market meters, a wholesaler must take a meter read within 140 business days of either, the go live date, the date of the last meter read or the date of the last failure.

**MPS 14** – monthly meter reads for non-market meters, a wholesaler must take a meter read within 25 business days of either, the go live date, the date of the last meter read or the date of the last failure.

**MPS 15** – regular meter reads for market meters, a retailer is to submit a meter read transaction within 10 business days of the meter read date contained within the transaction.

**MPS 18** – regular biannual meter reads for market meters, a retailer must take a meter read within 200 business days of either, the go live date, the date of the last meter read or the date of the last failure.

**MPS 19** – regular monthly meter reads for market meters, a retailer must take a meter read within 25 business days of either, the go live date, the date of the last meter read or the date of the last failure.



## Asset Maintenance (MPS 6-11)

These standards capture the taking and submitting of initial and final reads as meter readings are exchanged and repaired in response to operational tasks.

**Observation.** Although performance remained high for these tasks, their volume suffered a significant decline during the first national lockdown as requests reduced or were deferred by the wholesalers because of site access restrictions.

### Read the definition of the standards which comprise Asset Maintenance.

**MPS 6** – temporary disconnection/reconnection of a meter, wholesalers are to declare the temporary disconnection, reconnection or deregistration of a meter with two business days of the effective from date contained within the transaction.

**MPS 7** – initial and final meter reads, a wholesaler is to submit either a meter details transaction, a submit

meter read transaction or a meter exchange transaction within five business days of the meter read date contained within the transaction.

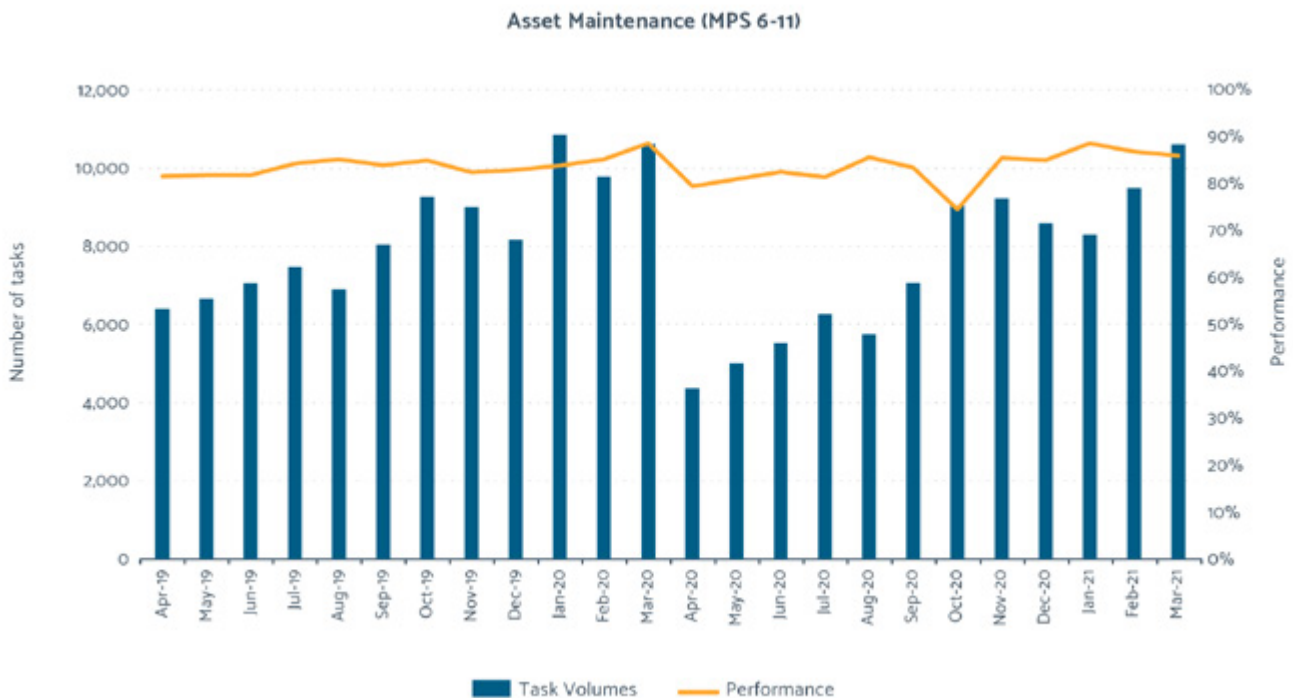
**MPS 8** - initial and final meter reads, an accredited entity is to submit either a meter details transaction, a submit meter read transaction or a meter exchange transaction within eight business days of the meter read date contained within the transaction.

**MPS 9** - initial and final meter reads, a wholesaler is to submit either a meter details transaction, a submit meter read transaction or a meter exchange transaction within ten business days of the meter read date contained within the transaction for a meter with a meter treatment type of private water or private trade effluent.

**MPS 10** - initial and final meter reads, a wholesaler is to submit either a meter details transaction, a submit meter read transaction or a meter exchange transaction within two business days of the meter read date

contained within the transaction in respect of X and Y reads, for activities undertaken by a wholesaler. This standard applies for meters with a meter treatment type of potable, non-potable, sewerage, private water or private trade effluent.

**MPS 11** - initial and final meter reads, submit meter read transaction or a meter exchange transaction within two business days meter read date contained within the transaction in respect of X and Y reads, for activities undertaken by an accredited entity. This standard applies for meters with a meter treatment type of potable, non-potable, sewerage, private water or private trade effluent.



## Customer Choice (MPS 16 and 17)

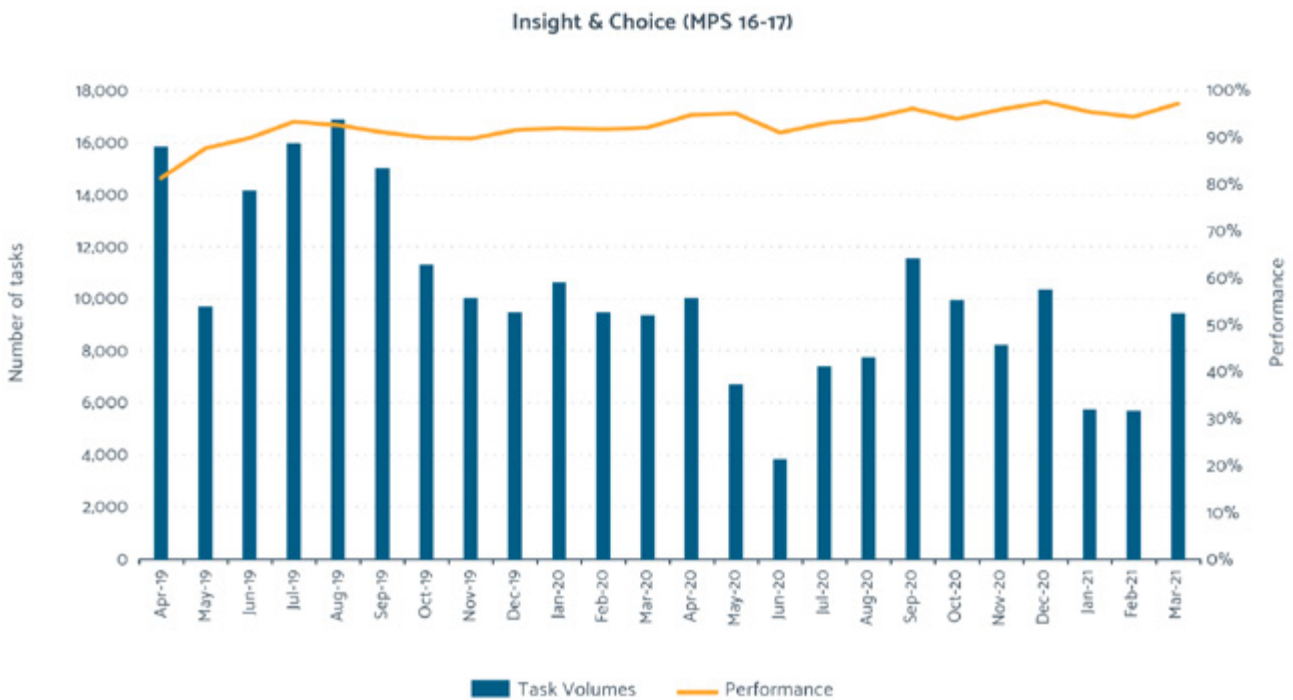
These standards capture the taking and submitting of reads as customers switch suppliers.

**Observation.** Switching declined during lockdown and over the last year have been lower than average. In August 2020, the lifting of lockdown restrictions resulted in a surge of requests bringing the volume close to the pre-lockdown levels. This figure subsequently fell in the following months as first regional and then national lockdowns were imposed. Performance in these standards has remained above 90 per cent throughout the year.

## Read the definition of the standards which comprises customer choice.

**MPS 16** – the retailer is to submit transfer read sent within eight business days of the meter read date contained within the transaction.

**MPS 17** – the retailer is to take the meter read in respect of a supply transfer within a window of two business days before and 7 business days after the registration start date.





### MPS League Tables

These league tables have evolved this year to show performance within the retailer/wholesaler pairings. The full set of [league tables](#) can be found on the MOSL website.

**Observation.** It should be noted that some trading parties may have significantly higher volumes of meter reads than expected where the submission of Automatic Meter Readings (AMR) reads are prevalent. The peer comparison league tables which represent performance against the retailer/wholesaler pairings can also be found in the link above.

### Rectification Plans

No new Initial Performance Rectification Plans (IPRPs) were requested during 2020/21 as IPRPs were suspended in line with the suspension of market charges. At the start of the financial year, nine trading parties were on, or were concluding, existing IPRPs. Reviews of trading party performance against their IPRPs were suspended during 2020/21. MOSL will consider whether these IPRPs will be de-escalated or extended in Q1 2021/22.

The Market Performance Committee requested a Performance Rectification Plan (PRP) from Water Plus in March 2020 for under performance against MPS 16.

The PRP was successfully completed in August 2020 with Water Plus' performance in MPS 16 rising from 65 per cent in March 2020 to 96 per cent in August 2020.

### Initial Performance Rectification Plans (IPRPs)

Trading parties that have been identified by MOSL as having individual performance issues under the MPS or OPS must develop and follow an Initial Performance Rectification Plan if requested to do so. This rectification plan should only include actions that the relevant trading party is able to control or influence.

### Performance Rectification Plan

Trading parties that have been identified by MPC as having issues meeting the milestones of their IPRP may be requested by the MPC to develop and follow a Performance Rectification Plan.

# Peer Comparison League Tables

These tables take trading parties and arranges them based on their performance against the Market and Operational Performance Standards (MPS and OPS). To make the data more meaningful, you will see that we have segmented trading parties into five groups and have used a clear colour-coding to indicate who sits in the upper and lower quartiles of trading party performance.

Within these tables some trading parties may have significantly higher volumes of meter reads than expected, often due to the submission of AMR reads.

others, although remaining open, have imposed restrictions on the reading of meters. In some cases the level of completed tasks shown in these tables has more than halved.

During this period we have seen the restrictions on customers and trading parties, alike as a result of COVID-19, impact on the performance of market standards: some customer premises have become permanently vacant while

It is important to recognise this when viewing the tables and acknowledging that whilst the data is accurate, it does not reflect the market in BAU.

MPS Performance - Retailers with > 5,000 SPIDs								
Retailer	Financial Year 2020-21			Apr-Sep 2020			Performance Trend Indicator	Tasks per 1k SPIDs (FY 2020-21)
	Rank	Performance	Total Tasks	Performance	Rank	Task Vol		
Water 2 Business	1	95.1%	403,719	95.8%	1	184,657		2,651
Business Stream	2	93.5%	778,228	95.0%	2	380,519		1,924
Everflow	3	90.6%	184,389	92.1%	3	73,072		2,244
Wave	4	89.2%	847,668	88.1%	8	376,474		2,033
First Business Water	5	89.0%	21,393	90.7%	4	8,010		3,171
Clear Business Water	6	87.9%	35,247	90.1%	5	17,150	▼	1,976
SES Business Water	7	87.7%	70,641	89.5%	6	26,192		1,702
Water Plus	8	87.5%	1,384,569	89.4%	7	638,714		1,814
Pennon Water Services	9	86.3%	393,264	83.7%	9	172,684	▲	2,429
Castle Water	10	78.0%	898,469	76.8%	10	407,479		1,611
<b>Market-Wide Performance</b>		<b>87.7%</b>	<b>5,017,587</b>	<b>88.0%</b>		<b>2,284,987</b>		

To note:

- As of October 2019, Business Stream and Yorkshire Water Services merged into one entity and this is reflected in the table above

MPS Performance - Retailers with < 5,000 SPIDs								
Retailer	Financial Year 2020-21			Apr-Sep 2020			Performance Trend Indicator	Tasks per 1k SPIDs (FY 2020-21)
	Rank	Performance	Total Tasks	Performance	Rank	Task Vol		
Hafren Dyfrdwy	1	97.3%	299	96.1%	1	153		19,933
The Water Retail Company	2	96.6%	4,684	96.0%	2	2,156		12,392
ConservAqua Ltd	3	96.2%	1,490	Excluded	Excluded	Excluded	Excluded	2,258
Dwr Cymru Welsh Water	4	94.1%	6,302	90.7%	3	2,858	▲	52,517
ADSM	5	91.6%	14,425	88.5%	4	4,608	▲	4,930
Regent Water	6	88.0%	341	83.6%	6	183	▲	2,489
Smarta Water	7	87.7%	5,391	84.8%	5	2,399	▲	3,611
YU Water	8	85.6%	1,636	81.1%	7	397	▲	1,683
<b>Market-Wide Performance</b>		<b>92.1%</b>	<b>34,568</b>	<b>89.4%</b>		<b>12,788</b>		



To note:

- ConservAqua Ltd have only performed against the MPS standards since September 2020 so were excluded from Apr-Sep2020 calculations

MPS Performance - Self-Supply Retailers & NAVs									
Retailer	Financial Year 2020-21			Apr-Sep 2020			Performance Trend Indicator	Tasks per 1k SPIDs (FY 2020-21)	Cat.
	Rank	Performance	Total Tasks	Performance	Rank	Task Vol			
Sefton Council	1	99.6%	1,350	N/A	N/A	N/A	N/A	3,309	SS
Greene King Brewing & Retailing	2	98.7%	9,536	98.4%	2	3,025		3,095	SS
Heineken UK Limited	3	98.7%	986	98.0%	4	447		5,031	SS
Marston's PLC	4	98.6%	5,043	98.1%	3	1,659		3,018	SS
Stonegate Pub Company	5	98.1%	3,728	98.6%	1	1,127		2,472	SS
Blackpool Borough Council	6	96.7%	1,476	92.9%	10	576	▲	4,731	SS
Whitbread Group	7	96.7%	7,495	95.0%	8	1,921		4,380	SS
BT	8	96.6%	24,058	94.5%	9	9,418	▲	3,659	SS
John Lewis PLC	9	95.7%	4,301	96.5%	5	2,175		5,019	SS
Independent Water Networks	10	95.7%	3,515	95.1%	6	1,462		4,292	NAV
Kellogg Company of Great Britain Limited	11	95.0%	120	Excluded	Excluded	Excluded	Excluded	13,333	SS
Veolia Water Projects	12	94.4%	569	95.1%	7	285		4,035	NAV
Berendsen UK Limited	13	89.8%	1,516	85.4%	12	617	▲	23,323	SS
Nottingham City Council	14	84.5%	882	71.0%	14	186	▲	1,391	SS
Icosa Water Services	15	82.4%	205	74.6%	13	71	▲	6,613	NAV
Leep Utilities	16	17.2%	279	N/A	N/A	N/A	N/A	710	NAV
<b>Market-Wide Performance</b>		<b>96.4%</b>	<b>65,326</b>	<b>95.0%</b>		<b>23,169</b>			

To note:

- Albion Water, Albion Eco, Coca-Cola, and Waterscan have been excluded due to low task volumes
- Leep Water Networks transferred to SSE Water to form Leep Utilities in October 2020. They were previously ranked 11th and 15th in April - September 2020
- Sefton Council have only performed against the MPS standards since November 2020
- Kellogg Company of GB have only performed against the MPS standards since May 2020. They were excluded in April - September 2020 due to low task volumes

MPS Performance - Wholesalers (WaSCs)									
Wholesaler	Financial Year 2020-21			Apr-Sep 2020			Performance Trend Indicator	Tasks per 1k SPIDs (FY 2020-21)	
	Rank	Performance	Total Tasks	Performance	Rank	Task Vol			
Yorkshire Water	1	96.9%	35,219	97.0%	1	17,781		135	
South West Water	2	93.4%	12,599	93.9%	2	5,046		103	
Anglian Water Services	3	93.1%	18,620	90.6%	4	8,190	▲	72	
Wessex Water Services	4	91.2%	3,796	92.6%	3	1,711		35	
United Utilities Water	5	91.1%	10,973	89.9%	5	3,523		26	
Southern Water Services	6	82.8%	4,665	84.0%	6	2,416		33	
Severn Trent Water	7	80.7%	12,839	77.9%	7	5,812	▲	31	
Northumbrian Water	8	78.7%	6,146	71.8%	8	2,383	▲	35	
Thames Water	9	74.1%	36,598	67.2%	9	11,773	▲	73	
<b>Market-Wide Performance</b>		<b>86.8%</b>	<b>142,005</b>	<b>85.7%</b>		<b>58,856</b>			



## Water Plus Case Study

“As part of the PRP we identified eight key activities that were all critical in achieving our milestones including a change in our operational structure. Whilst a tactical decision at the time, it created a hyper care team, and this resulted in an immediate improvement in our performance. As part of our review into the full sales to first bill customer journey we have adopted this now as an enduring part of our structure. Ultimately investing in our billing system will ensure that we sustain this performance metric in the future.

Whilst not initially part of the PRP, we identified automation opportunities in the switching journey and invested in this technology to support our customers when joining Water Plus.

At the start of the PRP we also took the opportunity to review our third party meter read contracts to ensure that they provided a high level of service to our customers when joining Water Plus but also ensured that it was aligned to the way that trading partners are measured within the Market Performance Standard Framework.

As part of the performance plan we did document introducing a threshold value when amending historic transfer reads, currently there are no plans to implement this. As a business throughout Covid we have seen a significant decrease in the volumes of customers switching to Water Plus. To support the implementation of any threshold value we are wanting to see more data from the solutions that we have already invested in to ensure that this adds value to customers and the business.

Throughout the PRP we did encounter some challenges to the initial timescales and targets completion dates that were set. An example of this would be the changes to the estimation logic that were due for delivery in July, they required further development work and the decision was made to delay implementation. Due to other system changes required to support customers with the implementation of the COVID temporary vacancy we had a delay to the delivery date, which ultimately resulted in this being included in our November 2020 IT release.

### Impact of COVID-19

As we submitted the PRP, the landscape changed for all trading parties with COVID-19. During the last twelve months as the volume of customers switching reduced, this allow the Hypercare team to focus, learn new processes without the challenges that a large volume transfer can create. That said, the smaller volumes allowed very little margin for error in what for a number of months was a manual process, since July 2020 to date we have delivered a performance of 98.9 per cent and in the last three months we have consistently achieved 100 per cent across both licences.

Despite the challenges presented by COVID-19 from resourcing and transition to adapting work environments and meter reading – we continued to maintain focus on our commitments to the PRP and our determination to deliver against these.

### Feedback on the PRP Process

As a retailer we found the implementation of the PRP focused the delivery of a recovery plan and also provided an opportunity to forge longer term thinking on an enduring delivery model.

It supported learning across our whole organisation on the Market Performance Framework and how the decisions we make impact our performance across these metrics.

Support from the MOSL team was welcomed as we worked through the plan and would suggest that this model is adopted in the future. Better reporting from MOSL in supporting trading parties during the journey would be an example of how this model could be improved along with maybe a focus group and lessons learnt so this Improvement performance approach can evolve appropriately.

As a large retailer we did have resources available to support on internal reporting of performance however this may be challenge for smaller trading parties who may not have this resource. We would suggest that interim reporting is produced by MOSL for any trading parties subject to a PRP in the future.

We also welcomed the opportunity to discuss progress with the MPC, as it gave the opportunity to provide updates and also any challenges encountered. This is an important step in the playback of progress so any changes and/or encounters can be fully understood by the governing bodies and gives context to the challenges the TP face per milestone during the PRP journey.”

**Michele Marshall**  
Head of Market Operations,  
Water Plus

**Waterplus**  
with you every drop of the way



# Operational Performance Standards and the Customer Journey

## Market Entry

The tasks which make up the Operational Performance Standards (OPS) for the market entry step of the customer journey are those which focus on the installation of meters.

### Observation

Performance in this area is marked by the drop in task volume as national restrictions took effect. Many tasks which were submitted during the lockdown periods were deferred and not addressed until restrictions had eased.

### Definition of the standards which comprise Market Entry.

**B1a** - Installation of a meter

**B3a** - Meter accuracy test involving a site visit

**B3b** - Meter accuracy test completion



OPS Performance - Market Entry



## Asset Maintenance

This element of the customer journey addresses the bulk of the tasks which retailers submit to wholesalers, aimed at locating, verifying, repairing or replacing meters.

**Observation.** Performance has remained high in this area although task volumes have yet to recover to pre-COVID levels. The deferral rate for these tasks increased from an average of 10 per cent to 20 per cent; i.e. of the 4,654 tasks completed in Oct 2020, 930 of the tasks had been raised in preceding months and had been deferred until both the customer and the wholesaler were able to arrange access to the premises.

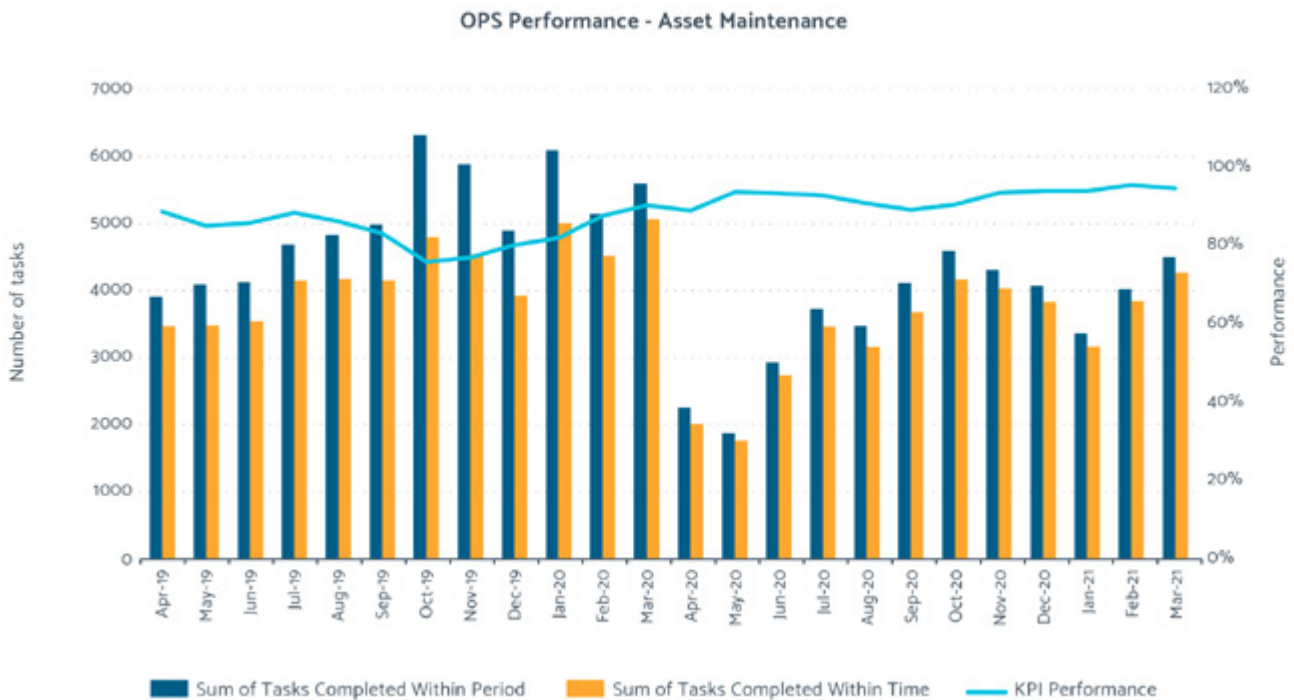
### Definition of the standards which comprise Asset Maintenance

**B3a** - Meter accuracy test involving a site visit

**B3b** - Meter accuracy test completion

**B5a** - Repair or replace faulty meter

**C1a** - Verification of meter details requested by retailer



## Market Exit

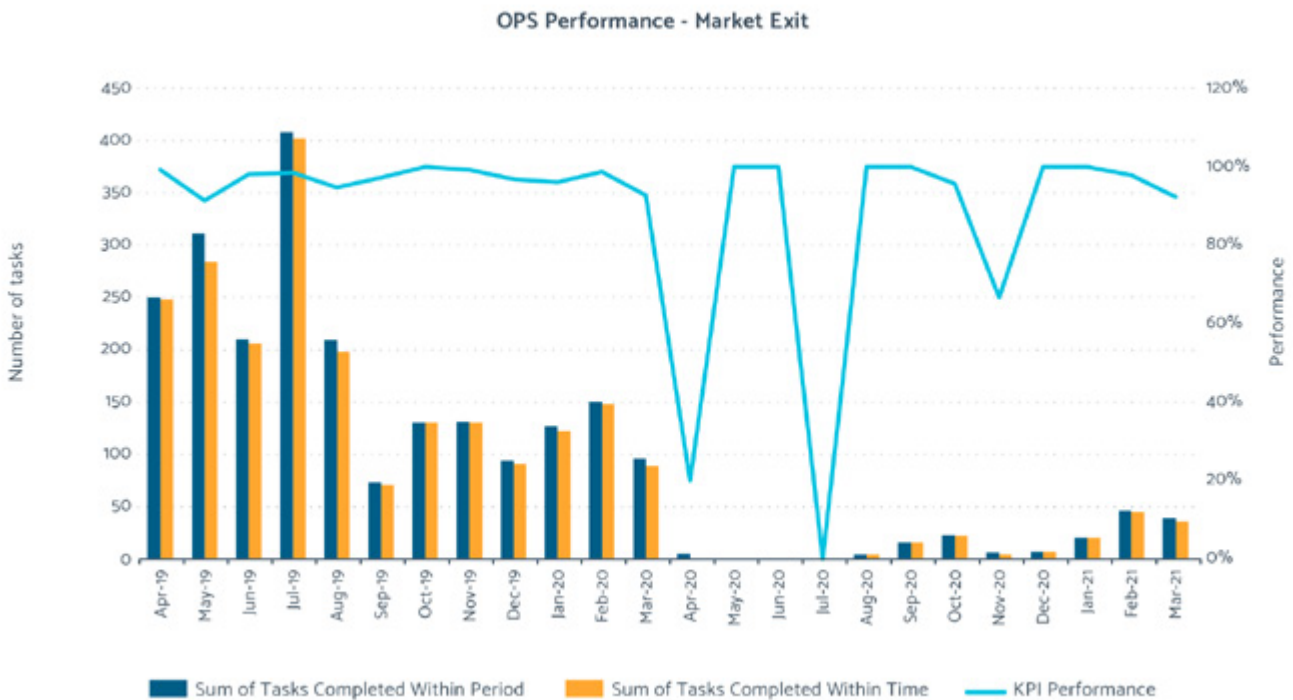
The tasks which make up the OPS for market exit focus on temporary disconnections.

**Observation.** Disconnections during 2020 were limited in the non-household market, due in part to the December 2020 provisions set out in the [Customer Protection Code of Practice \(CPCoP\)](#). Consequently, volumes are extremely low compared to pre-COVID-19 figures.

## Definition of the standards which comprise Market Exit.

I1a - Temporary disconnection requested by the retailer and performed by the wholesaler (non-household customer non-payment: standard)

I1b - Temporary disconnection requested by the retailer and performed by the wholesaler (non-household customer non-payment: non-standard)



## OPS League Tables

The OPS league tables cover both Water and Sewerage Companies (WaSCs) and Water only Companies (WoCs).

**Observation** This is the first year in which league tables are further supported by qualitative assessments of wholesalers through the [Retailer Measure of Experience \(R-MeX\)](#).

### Peer WoCs

OPS Performance - Wholesalers (WoCs)								
Wholesaler	Financial Year 2020-21			Apr-Sep 2020			Performance Trend Indicator	Tasks per 1k SPIDs (FY 2020-21)
	Rank	Performance	Total Tasks	Performance	Rank	Total Tasks		
Portsmouth Water	1	99.8%	565	99.5%	3	213		35
Bristol Water	2	99.8%	1,596	99.8%	2	865		48
Affinity Water	3	99.8%	2,032	99.9%	1	914		28
Sutton & East Surrey Water	4	98.7%	159	98.5%	4	68		11
South East Water	5	90.8%	2,142	89.6%	5	943		41
South Staffordshire Water	6	88.7%	2,480	77.7%	6	656	▲	58
<b>Market-Wide Performance</b>		<b>94.6%</b>	<b>8,974</b>	<b>93.2%</b>		<b>3,659</b>		

DwrCymru and Hafren Dyfrdwy have been excluded due to low volumes.

### Peer WaSCs

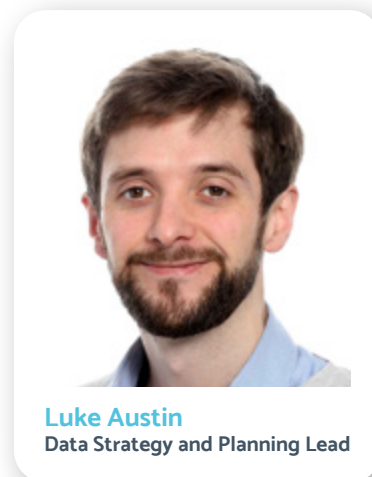
OPS Performance - Wholesalers (WaSCs)*								
Wholesaler	Financial Year 2020-21			Apr-Sep 2020			Performance Trend Indicator	Tasks per 1k SPIDs (FY 2020-21)
	Rank	Performance	Total Tasks	Performance	Rank	Total Tasks		
South West Water	1	99.5%	3,061	99.2%	1	1,300		25
Anglian Water	2	98.7%	7,068	98.5%	3	2,495		27
United Utilities Water	3	97.7%	7,750	98.7%	2	3,704		19
Yorkshire Water	4	97.4%	4,998	97.0%	5	2,002		19
Wessex Water	5	97.0%	2,692	97.6%	4	1,164		25
Severn Trent Water	6	94.4%	8,493	93.2%	6	3,917		21
Thames Water	7	94.2%	20,719	91.8%	7	9,850	▲	41
Northumbrian Water	8	84.9%	3,638	89.2%	8	1,445	▼	21
Southern Water	9	84.7%	5,119	80.8%	9	2,735	▲	36
<b>Market-Wide Performance</b>		<b>94.5%</b>	<b>63,538</b>	<b>93.2%</b>		<b>28,612</b>		

NOTE: Unlike MPS, all OPS data is self reported and is not sourced through CMOS

Trade effluent sampling tasks, G4a and G4b, have been excluded from the 'Total tasks completed' column due to their high volumes.

Dwr Cymru Welsh Water and Hafren Dyfrdwy have been excluded due to low task volume.

# Reviewing the Market Performance Framework



**Luke Austin**  
Data Strategy and Planning Lead

At the end of 2019, MOSL and the [Market Performance Committee \(MPC\)](#) commissioned a review of the [Market Performance Framework \(MPF\)](#). The result was a [three-year roadmap](#) which identified the key principles which would underpin an MPF fit for the continued improvement of the non-household water market. The MPC had appointed a working group to progress the development of the MPF, but its initial work was paused to focus on monitoring in light of COVID-19.

In January 2021 the Market Performance Framework Review working group reconvened to define the core elements of the future MPF. The group agreed that the future MPF should better align to customer outcomes and that all decisions in the design of the MPF should be made with a clear 'line of sight' to customer benefits.

## **The main features of the new MPF will ensure that:**

Metrics will be aligned to customer outcomes. Metrics may be removed and new ones added to allow to improve trading parties' ability to deliver customer benefits. There will be a clear rationale that links the metric to customer outcomes via market operation.

Incentives will better reflect costs and benefits. Financial incentives will have a clear rationale grounded in the costs and benefits of changing trading party's behaviour. Reputational incentives will be designed with a better understanding of the intended behavioural change and target audience.

There will be a risk-based and tailored approach to intervention. Intervention will reflect the frequency and severity of problems and will be designed so the most effective tools are used to address situations.



## Looking Ahead

The future evolution of the MPF is encompassed in [MOSL's 2021-24 Business Plan](#) commitment to develop market assurance that will provide confidence to customers. This work will take an integrated approach to assuring compliance and performance levels of trading parties.

Consistent with the features outlined by the MPF Review Working Group, a risk-based approach will see us move away from tactical changes to the [Market Performance Framework MPF](#) to a comprehensive overview of its effectiveness. This will drive the right behaviours in the market and associated benefits to customers. It will also encompass measures, tools, incentives and ways of working which focus on customer outcomes,

accountabilities between wholesalers and retailers, and a smarter means of using data and insight to drive higher quality intervention and rectification. Our [Market Assurance improvement programme](#) includes the development and implementation of:

- A Strategic Market Risks and Issues Register - to drive focus and improvement
- Timely reporting, action tracking and intervention from audit findings
- Insourcing some trading party audit work, making the required improvements to the framework as identified by the audits
- Clear communication of audit findings
- Potential introduction of measures arising from the [Strategic Metering Review](#)
- Improved measures and incentives that focus on customer outcomes, clearer accountability and targeted interventions (development through 2022/23 with implementation of monitoring in 2023/24).

## MPF



The MOSL Business Plan sets out other improvement programmes which have been approved and resourced to help deliver improved customer and market outcomes.

Of these improvement programmes, three have specific relevance to the future evolution of the MPF.

### Bilateral Transactions Programme

The MPF Working Group is working alongside the [Bilaterals Transaction programme](#), co-ordinating requirements and priorities with workstream leads and the Operational Advisory Group. Examples of common interest include the potential consideration of removing performance charges for failing to read a meter which has an outstanding replace/repair task assigned against it.

### Strategic Metering Review

The MPF Working Group will use the [Strategic Metering Review](#) to test assumptions which may underpin future read submission incentives and to provide direction on behaviours which a future framework might include.

### Data Insight

The MPF Working Group recognises the importance of future reporting being underpinned by more accurate data on customer segmentation, meter data, customer, asset and premises data.



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# 2020/21 Market Performance Operating Plan Review

## Introduction

In June 2020, we published our third [Market Performance Operating Plan \(MPOP\)](#) for 2020/21. The MPOP detailed how we would use the tools within the [Market Performance Framework \(MPF\)](#) to drive market performance improvement. It set out the areas of focus for addressing key issues impacting the delivery of:

- Improved customer outcomes.
- Improved trading party performance and accountability.

The activities within the MPOP 2020/21 were prioritised based on the findings from several market sources, including the PwC Audit and feedback from the [CEO Forum](#) and [Trading Party Survey](#). These sources identified the following areas as market priorities:

- Legacy data issues.
- The maintenance and ownership of data.
- The effectiveness of the MPF.

Two workstreams were developed to address these issues:

**A. High quality customer, premises and asset data:** Addressed current and legacy issues with poor data quality, including the completeness and accuracy of market data. These were limiting the ability of wholesalers and retailers to provide an excellent customer experience and caused operational friction between trading parties

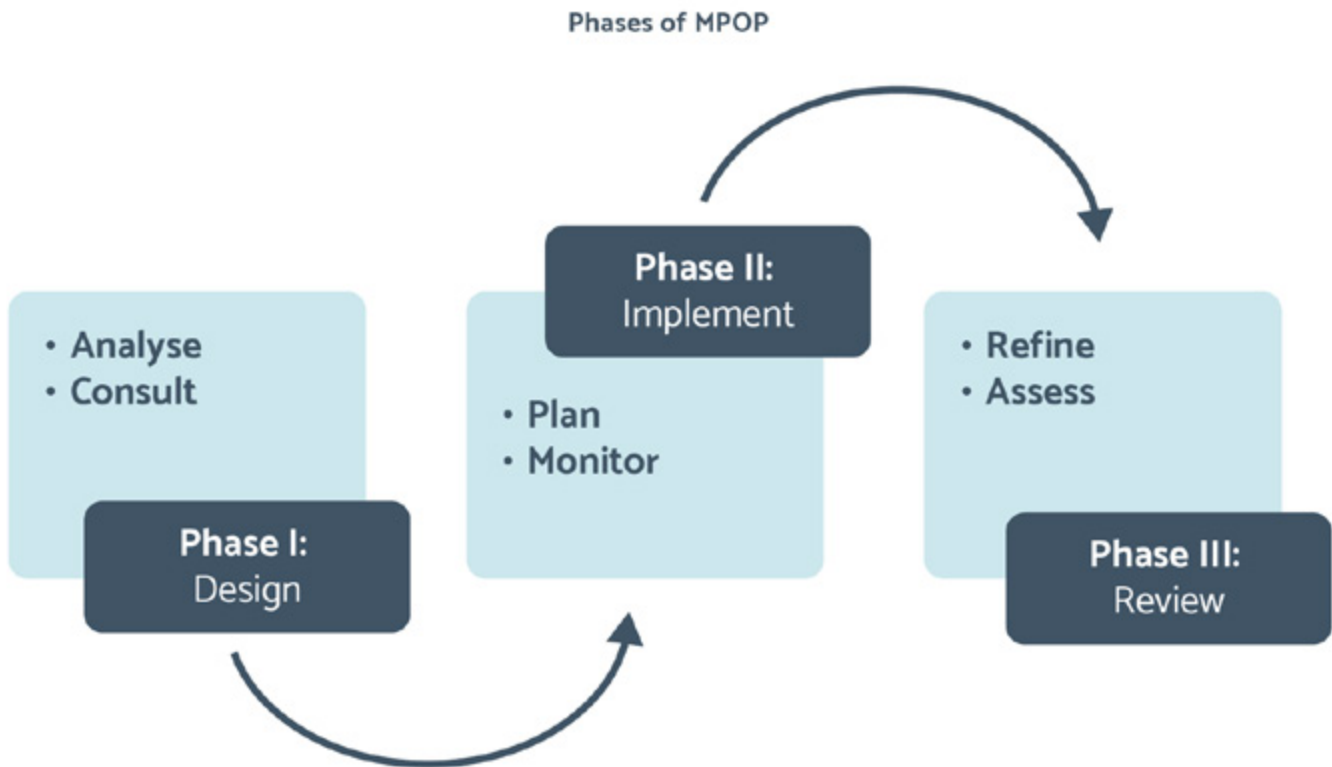
**B. Timely and robust consumption data:** Addressed challenges with the maintenance and management of consumption data, which impacted customer billing, efficient switching and settlement accuracy. This also supported the delivery of insight for wider water efficiency and leakage initiatives.

The MPOP priorities also took account of COVID-19, incorporating a high-level market impact assessment. This led to the formation of a third workstream to manage and mitigate the risks to performance due to COVID-19:

**C. COVID-19 remediation activity:** Monitored and mitigated COVID-19 impacts on market performance, particularly on meter reading and vacancy. Support, intervention and guidance provided to facilitate a timely and smooth transition out of COVID-19.

## Delivery against objectives

There were three phases of delivery of MPOP 2020/21.



The 12-month MPOP cycle for 2020/21 was primarily focused on Phase I activity of understanding issues and developing solutions.

### Key highlights from each of the workstreams include:

#### Workstream A:

Phase I delivery has incorporated the publication of a [Core Market Data Improvement Plan](#), development of a code change for addressing long-term vacancy (CPW106: 'Management of Long-Term Vacant Supply Points'), and a proposal for streamlining new connections. Consideration of the Vacancy Change Application (VCA) process highlighted the complexity of both the existing codified process and options for the way forward. Further consultation with trading parties is required to progress VCA process improvements in 2021/22.

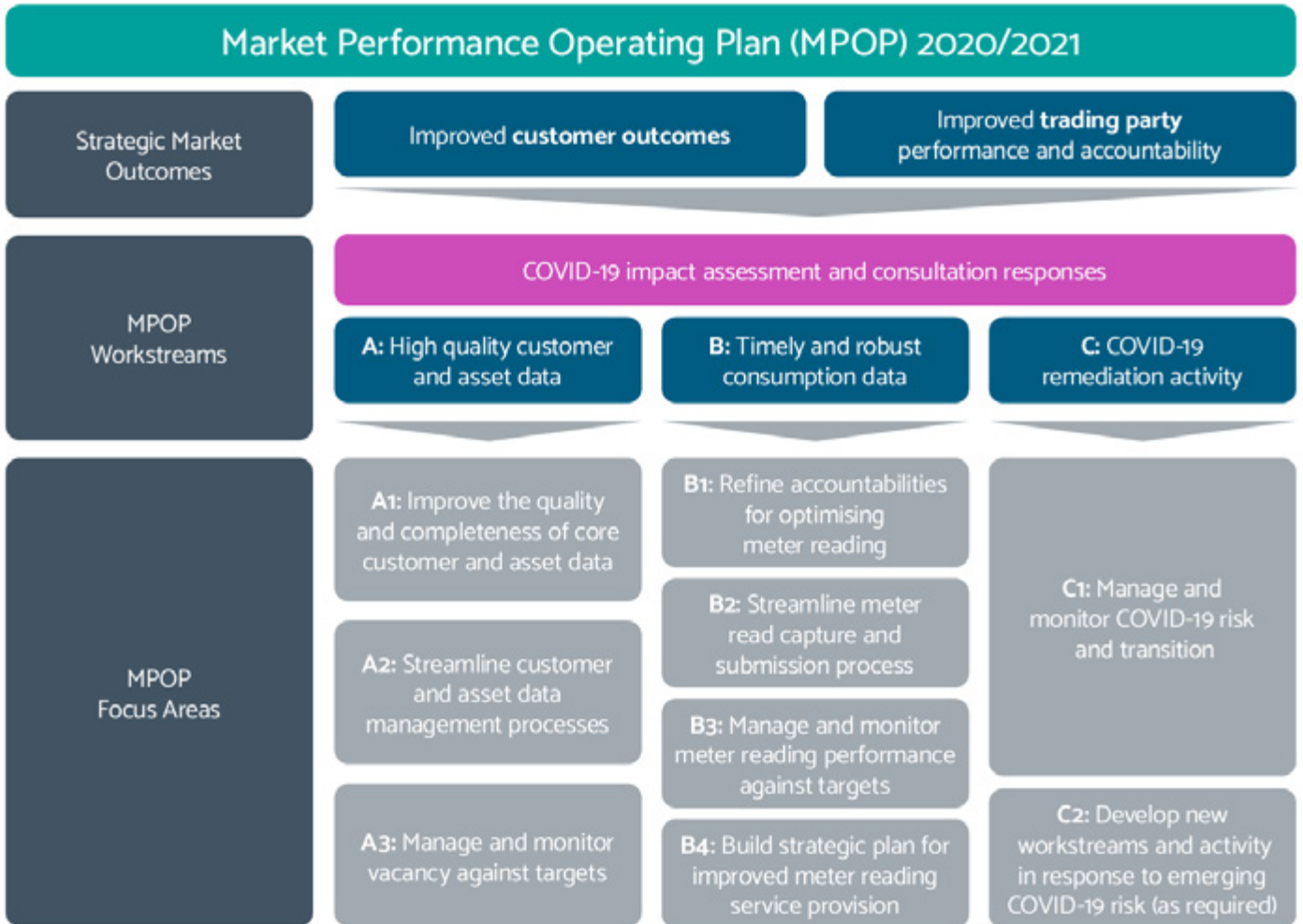
#### Workstream B:

Commitments from this workstream were largely transferred to the [Strategic Metering Review](#) early in 2020/21 to address metering issues. This has led to work being progressed through engagement with the market at a strategic level. It has meant that the delivery of more tactical improvements to be delivered within MPOP 2020/21 was limited. A review of Yearly Volume Estimates (YVE) methodology was completed, along with detailed work to reduce the volume of rejected meter read submissions.

#### Workstream C:

We published a [monitoring and intervention framework and guidance document](#) and a [temporary vacancy document](#). The majority of these activities have since been transitioned to business-as-usual. A review of Workstream C activity undertaken by MOSL and the Market Performance Committee confirmed that no additional activities were required to mitigate risks to performance arising from COVID-19.

A more detailed review of progress is shown below.





## A1 Improving the quality and completeness of core customer and asset data

Workstream	Objective	Outputs	Next steps and recommendations
A1 Improving the quality and completeness of core customer and asset data	A1.1 Improve core customer and asset data	<ul style="list-style-type: none"> <li>- Publication of Core Market Data Improvement Plan</li> <li>- Detailed analysis of methodology and underlying issues of poor-quality core customer and asset data</li> <li>- Input obtained from subject-matter experts and industry consultation</li> </ul>	<ul style="list-style-type: none"> <li>- Next steps are the implementation of the Market Improvement Plan, including performance monitoring, data sharing, and developing routes for user-verification of data accuracy</li> <li>- Recommend the maintenance of on-going market dialogue on data quality and performance via industry forums such as Retailer Wholesaler Group (RWG), MPC and User Forum</li> <li>- MOSL will also review the market strategy for managing and governing data and consider other options for maintaining and enriching data</li> </ul>
	A1.2 Incentivise high standards for data quality	<ul style="list-style-type: none"> <li>- Agreement and publication of Additional Performance Indicators (APIs) covering key data items (namely, UPRN and VOA completeness and GIS issues)</li> <li>- Assessment of the need for measures and incentives to maintain high standards of data quality</li> <li>- Publication of dashboards to monitor and support data quality initiative and improved trading party performance</li> </ul>	<ul style="list-style-type: none"> <li>- Prioritise performance monitoring and rectification against key APIs</li> <li>- Review effectiveness of the APIs and consider the need for additional incentives as part of the Roadmap for the Market Performance Framework (MPF) developed by MOSL and the MPC</li> </ul>
	A1.3 Enrich core customer data	<ul style="list-style-type: none"> <li>- Enhanced view of consumption through the collation of 'best available' data using the average consumption over multiple settlement runs</li> <li>- Developed an improved profile of customers within CMOS using matching, cleansing and enrichment techniques to identify industry segments for approximately 75 per cent of premises</li> <li>- Spatial analysis of meters and Water Resource Zones and Environmental Agency Water Bodies has provided insight into geographic context of water usage, availability and scarcity, as well as impacts of regional lockdowns due to COVID-19</li> <li>- Creation of carbon model to estimate NHH operational carbon emissions by combining settlement data with operational carbon emissions data published by water companies</li> </ul>	<ul style="list-style-type: none"> <li>- Share findings and identify further work in collaboration with trading parties and other stakeholder groups, such as regional Water Resource Management Planning groups</li> <li>- Consider options for wider access for enriched data and collated regional datasets</li> <li>- Scope approach for further improving the identification and segmentation of customers in conjunction with market data cleanse activities</li> </ul>

## A2 Streamline customer and asset data management processes

Workstream	Objective	Outputs	Next steps and recommendations
A2 Streamline customer and asset data management processes	A2.1 Streamline New Connections	<ul style="list-style-type: none"> <li>- Evaluation of the ownership model of supply point registration process and options for ensuring accurate data into CMOS and improved occupancy rates for new premises.</li> <li>- Commencement of eligibility review of Temporary Building Supply (TBS). Working with RWG Eligibility Review Group to make recommendation to Ofwat</li> <li>- Refined proposal for streamlining and improving the new connections process based on responses to Request for Information (RFI)</li> </ul>	<ul style="list-style-type: none"> <li>- Next steps are to submit a code change for the proposed changes and develop a consultation document</li> <li>- Recommend continuing engagement with Ofwat and the RWG regarding the review of eligibility of TBS</li> </ul>
	A2.2.1 Refine the Vacancy Change Application (VCA) Process	<ul style="list-style-type: none"> <li>- Workshops and analyses of possible options to expedite the VCA process, detailing minimum data/evidence requirements needed to demonstrate occupancy</li> <li>- Review of potential tools or technology to facilitate data sharing between trading parties</li> </ul>	<ul style="list-style-type: none"> <li>- Unable to deliver outputs in line with expectations for 2020/21 and further work still needs to be done</li> <li>- Recommend consultation with trading parties to refine options and determine the best route for improving the VCA</li> </ul>
	A2.3 Facilitate the use of deregistration or disconnection of long-term vacant premises	<ul style="list-style-type: none"> <li>- Code change CPW106: Deregistration of long-term vacant premises raised with analysis and evidence for the need to address long-term vacant premises in the market</li> <li>- Completed initial consultation on CPW106: Deregistration of long-term vacant Supply Points</li> </ul>	<ul style="list-style-type: none"> <li>- Next steps are to complete a second consultation due to the need to refine the original proposal following feedback from the first consultation</li> <li>- A Draft Recommendation Report can then be finalised</li> </ul>

## A3 Manage and monitor market vacancy against targets

A3 Manage and monitor market vacancy against targets	A3.1 Establish new vacancy target	<ul style="list-style-type: none"> <li>- Evidenced a new target for vacancy</li> <li>- Approach to Paired Improvement Plans (PIPs) developed to facilitate collaboration between wholesalers and retailers on reducing levels of vacancy</li> <li>- Publication of overall vacancy targets has been delayed due to the impact of COVID-19 and instead collaboration via PIPs has been promoted to allow for more effective prioritisation and more flexibility for constrained trading party resources</li> </ul>	<ul style="list-style-type: none"> <li>- Publish analysis and final target for vacancy alongside vacancy dashboards and API</li> <li>- Continue to work with trading parties and promote collaboration through PIPs</li> </ul>
	A3.2 Review vacancy incentivisation	<ul style="list-style-type: none"> <li>- Evaluated options for incentivising effective vacancy management</li> </ul>	<ul style="list-style-type: none"> <li>- Publish analysis and final target for vacancy alongside vacancy dashboards and API</li> </ul>

## B1 Refine accountabilities for optimising meter reading

Workstream	Objective	Outputs	Next steps and recommendations
B1 Refine accountabilities for optimising meter reading	B1.1 Evaluate the options to facilitate greater sharing of consumption data	- Incorporated into the Strategic Metering Review	<ul style="list-style-type: none"> <li>- This is now quick-start project 1 and an initial paper has been prepared</li> <li>- In addition, collaboration held with the RWG Task and Finish group on Headline Action 2 on water efficiency. The Joint Industry Action Plan for Water Efficiency can be found online.</li> </ul>

## B1 Refine accountabilities for optimising meter reading

B2 Streamline Meter Read Capture and Submission Process	B2.1 Reduce the number of rejected reads from CMOS	<ul style="list-style-type: none"> <li>- Detailed analysis has been implemented by CGI to provide evidence for the number of read rejections</li> <li>- Detailed dialogue with relevant trading parties regarding performance and identified issues</li> </ul>	<ul style="list-style-type: none"> <li>- There are two non-code changes proposed and work on reviewing volume validation is underway as part of the Strategic Metering Review</li> <li>- MOSL is working with CGI to develop dashboards to help monitor read rejections and resolve issues</li> </ul>
	B2.2 Develop an approach to agreeing transfer reads between Retailers	- Incorporated into the Strategic Metering Review	- Retailers to be included in the work developed for the new Metering Committee
	B2.3 Review YVE methodology and guidance	<ul style="list-style-type: none"> <li>- Reviewed impact of estimation methods on settlement charges, including identification of areas of concern and recommended performance measures</li> <li>- Agreed Additional Performance Indicator (API) for YVE performance with MPC</li> </ul>	<ul style="list-style-type: none"> <li>- Included in the list of projects for the SMR and will be included in the Metering Committee review of future projects</li> <li>- Next steps include publishing findings for analysis of impact of estimation on settlement and details of API</li> <li>- Implementation of API for YVE performance</li> <li>- Developing reporting tools and dashboards for settlement and estimation accuracy to support improved YVE performance.</li> </ul>

### B3 Manage and monitor meter reading performance against targets

Workstream	Objective	Outputs	Next steps and recommendations
B3. Manage and monitor meter reading performance against targets	B3.1 Establish new long unread meter target	<ul style="list-style-type: none"> <li>- Approach to Performance Improvement Plans (PIPs) developed to facilitate collaboration between wholesalers and retailers on reducing long unread meters</li> <li>- An explicit target for long unread meters was not set due to the impact of COVID-19 and instead collaboration via PIPs has been promoted to allow for more effective prioritisation and more flexibility for constrained trading party resources</li> </ul>	<ul style="list-style-type: none"> <li>- Review the use of skip codes to understand why meters are not able to be read in the market.</li> <li>- Consider 'hard to read meters' and defining potential solutions including the existing operational approach, improved operational solution and the use of technology to provide a sustainable solution.</li> </ul>

### B4 Build strategic plan for improved meter reading service provision

B4. Build strategic plan for improved meter reading service provision	B4.1 Strategic Review of Metering	<ul style="list-style-type: none"> <li>- The Strategic Metering Review has been established and a high-level plan prepared.</li> <li>- A series of quick start projects have been implemented before the enduring governance approach is in place.</li> </ul>	<ul style="list-style-type: none"> <li>- Now that the new Metering Committee has been formed it will review and shape the plan initially for the next six-nine months and thereafter for a period of approximately three years</li> </ul>
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## C1 Manage and monitor Covid-19 risk and transition

Workstream	Objective	Outputs	Next steps and recommendations
C1 Manage and monitor COVID-19 risk and transition	C1.1 COVID-19 vacancy and meter reading monitoring and intervention framework	<ul style="list-style-type: none"> <li>- Assessed the level of vacancy reported by the market, identified outliers versus expected rates of vacancy, highlighted positive and negative trading party behaviour, facilitated peer-to-peer comparison, and led to insight and lessons learnt for transitioning beyond COVID-19</li> <li>- Published a Monitoring, Reporting and Intervention Framework for Transitioning Beyond COVID-19</li> <li>- Reviewed effectiveness of the occupancy update transaction (T112.R), including analysis of the rejection rates</li> </ul>	<ul style="list-style-type: none"> <li>- Activity has largely been transitioned into BAU</li> <li>- Recommend launching a Request For Information (RFI) to gain insight into challenges of the T112 transaction and work with CGI to review rejections processes; and working with industry groups such, as the RWG, to develop guidance to improve understanding of the process.</li> </ul>
	C1.2 Provide guidance for the transition beyond COVID-19	<ul style="list-style-type: none"> <li>- Provided guidance to trading parties for transitioning the temporary vacancy measures beyond COVID-19</li> <li>- Proposed approach for supporting the transition of the market beyond COVID-19</li> </ul>	<ul style="list-style-type: none"> <li>- Activity has largely been transitioned into BAU and no further MPOP activities in this area are currently required</li> </ul>

## C2 Develop new workstreams & activity in response to emerging Covid-19 risks

C2 Develop new workstreams & activity in response to emerging COVID-19 risks	C2.1 MPOP activity review	<ul style="list-style-type: none"> <li>- Assessed whether the MPOP market improvement and risk remediation activity still appropriately address COVID-19 risks.</li> <li>- Agreed with the MPC that the current activities were appropriate to address known COVID-19 risks to performance.</li> </ul>	<ul style="list-style-type: none"> <li>- Recommend regular reviews of the impacts of COVID-19 on risks to performance to assess need for further activities</li> </ul>
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# Evolution of the 2021/22 Market Performance Operating Plan

The MPOP for 2021/22 will build on the lessons learnt and progress made from delivering the MPOP for 2020/21, alongside the findings from this year's AMPR. The following are initial considerations that will be used in the development of a MPOP 2021/22. We will consult on the draft plan before finalising and publishing in June 2021.

The MPOP will focus on improving trading party performance using the existing tools and incentives within the MPF. These tools include:

#### **Performance charges**

Charges incurred by wholesalers and retailers for failing to meet defined performance standards.

#### **Reputational incentives**

The publication of peer comparison data based showing trading party performance against the MPS, OPS, and any Additional Performance Indicators (APIs) defined by MOSL.

#### **MOSL performance reporting**

Assurance that MOSL is meeting its obligations as the market operator.

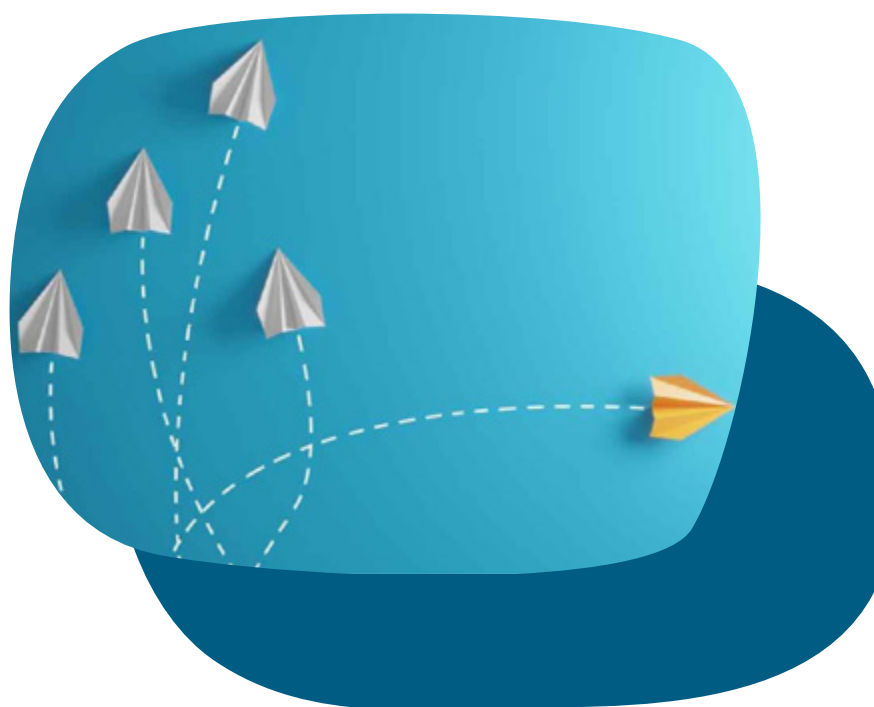
#### **Performance rectification and intervention**

Resolution of performance issues to ensure that any trading party with sub-optimal performance takes appropriate remedial action, including the use of Initial Performance Rectification Plans (IPRPs) and Performance Rectification Plans (PRPs).

#### **Guidance**

Performance guidance provided by MOSL to facilitate improved performance.

The MPOP will continue to apply, monitor and charge against MPS and OPS in accordance with the market codes. It will use these tools and levers to address key areas of risk and support the associated Improvement Programmes outlined in MOSL's three-year Business Plan. This may include using Addition Performance Indicators (APIs) to monitor and incentivise performance, guidance documents and/or other intervention.



**The performance areas which MPOP 2021/22 will focus on include:**

**Data quality**

The MPOP will support core market data quality by monitoring performance against the measures outlined in the [Core Market Data Improvement Plan](#), including - but not limited to - the completeness of [Unique Property Reference Number \(UPRN\)](#) and [Valuation Office Agency \(VOA\)](#) Billing Authority Reference Number, APIs and issues with Geographical Information System (GIS) Coordinates.

**Metering issues**

The MPOP will support the Strategic Metering Review by monitoring performance against metering issues, such as the level of long unread meters.

**Vacancy**

The MPOP will support efforts to reduce the level of vacancy in the market by monitoring performance

against vacancy issues, such as vacancy with consumption and vacancy arising from newly registered supply points.

**Accuracy of estimation in settlement**

The MPOP will support better use of YVEs within settlement by monitoring of YVE performance and percent of actuals at R1-RF. A more detailed explanation of the importance of these elements is contained in [Section 3 - Market Consumption](#).

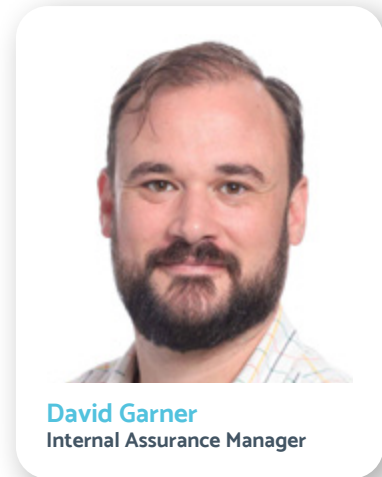
**Switching activity**

The MPOP will provide for monitoring in relation to switching activity as the market emerges from COVID-19.

The content of the MPOP will be subject to the [MOSL Benefit Validation Framework](#) to ensure activities are directly aligned to the [Business Plan](#). These principles will ensure a more streamlined MPOP and will promote the direct applications of the tools, and levers of the Market Performance Framework (MPF) to improve trading party performance. This will support the development and implementation of tactical improvements needed for the MPF to respond to changes in performance, environmental and societal impacts and evolving challenges arising from the medium and long term impacts of the pandemic.

<b>Description</b>	What is the benefit
<b>Observable Outcomes</b>	What are the verifiable differences that will be noticeable pre and post implementation?
<b>Attribution</b>	Where will this benefit arise? Is the accountability and responsibility for delivery and change clear and agreed?
<b>Measurement</b>	How and when will the achievement of the benefit be measured? What KPI's can be used to track progress/delivery?
<b>Sign-off Criteria</b>	Has a clear and measurable sign-off criterion been agreed?

# Market Operator Compliance



**David Garner**  
Internal Assurance Manager

**As the market operator for the non-household water market, MOSL is obligated to follow the rules set out in the Wholesale Retail Code (WRC) and the [Market Arrangements Code \(MAC\)](#). MOSL conducts an internal self-certification process each quarter to assess compliance with the 1,150 separate obligations with which it must comply. Obligation owners report any non-compliances along with a rectification plan. These are then reported quarterly to the Market Performance Committee (MPC).**

There were five instances of MOSL non-compliance, a reduction of two from the previous year. Of these five, only one relates to the Market Performance Framework, specifically, the publication of the Market Performance Operating Plan (MPOP). The remaining non-compliance matters do not relate to market performance. Full details of these matters will be provided in the Market Audit annual report which will be published in May 2021.

[Code Subsidiary Document \(CSD\) 0002](#) requires that the MPOP be published ahead of the year in which it applies (i.e. the MPOP for 2021/22 should be published before 31 March 2021). Since the market opened in April 2017, the MPOP has always been published in the first quarter of the year to which it applies, rather than in the preceding year. To properly consult on and develop an MPOP which takes account of findings from the previous year in a timely way, indicates a need

to review the current relevant code provisions. We will consider these provisions with the Market Performance Committee and the Panel in 2021.

MOSL is reviewing its internal controls and assurance processes as part of the development of an internal Compliance Framework. This involves mapping out of core processes relating to our obligations and identifying any material risks of those processes not operating as required. Mitigating controls are then identified and reviewed to ensure these controls are designed appropriately to mitigate the risk and that they are operating effectively through the year. An effective Compliance Framework provides an improved level of assurance that MOSL is meeting its obligations alongside the external assurance work carried out each year by the market auditor.

During 2020/21, MOSL started to develop this framework for a number of higher risk processes. This will continue into 2021/22 with more processes covered by the framework and monitoring of key controls starting to take place. See further information in the Market Audit section below.

## Market Audit

The purpose of the market audit is to provide confidence to stakeholders that market participants and MOSL are operating both in compliance and the spirit of the market codes and to provide insight over how market processes could be changed to increase market efficiency and ultimately improve customers' experience.

Over the past year, MOSL has refined its governance of the market audit through increasing the prominence of the Audit Panel Sub-group setting the overall direction and focus of the market audit and discussing the output from reviews and the actions to address findings. This has allowed MOSL and the market auditor to be agile in its response to COVID-19 by designing and delivering reviews quickly, focused on new and emerging risks to the market created by the pandemic, such as application of temporary vacancies and reviewing the payment deferral scheme.

A summary of the work performed across 2020/21 is covered in the table below.

## Market Audit work delivered during 2020/21

### Trading party compliance

We conducted focused reviews to assess the design and operation of market processes, data and supporting information over a range of defined processes. These reviews provide practical recommendations on how any identified gaps can be closed as well as assessing the compliance of individual retailers and/or wholesalers with particular aspects of the market codes. An overview of the work performed and associated benefits is provided below. Further details on the work carried out will be included in the Market Audit report to be published in May 2021.

Work performed during the year	Benefits
<p><b>Temporary Vacancy:</b></p> <p>A review to assess retailers' responses to apply temporary vacancy statuses as a result of changes and supplementary guidance implemented into the market in response to COVID-19 (change CPW091). A sample of five retailers was selected by MOSL as representative of the variety of approaches and volume of premises impacted.</p> <p>The market auditor reviewed the processes and mechanisms that each retailer implemented to identify premises that should be marked as temporarily closed to form an assessment of whether they were sufficient and in line with the guidance and revised codes. This was also supplemented by sample testing of premises that had been flagged as vacant due to COVID-19, understanding the reason for flagging and assessing whether this treatment was appropriate.</p>	<ul style="list-style-type: none"> <li>- Provided confidence to all stakeholders that retailers implemented sound processes to accurately apply the "temporary vacant" in CMOS and that the differing rates of application were not as a result of a more serious non-compliance.</li> <li>- MOSL issued guidance documents to facilitate consistent and accurate interpretation and application of the requirements across the market.</li> <li>- A market audit programme with the agility to respond quickly to new and emerging market risks.</li> </ul>

Work performed during the year	Benefits
<p><b>Payment Deferral Scheme:</b></p> <p>A review to consider the accuracy of a sample of retailers' submissions under the Payment Deferral Scheme to ensure payments made between retailers and wholesalers were in accordance with the revised market codes, in line with Change CPW096: 'Urgent: Payment Deferral Medium Term'</p> <p>MOSL selected three retailers across three months (May, June and October 2020; nine individual submissions tested in total) for the market auditor to review their monthly submission. The market auditor checked key inputs into the payment calculations against supporting documentation to ensure they were valid. It also re-performed elements of the deferred pay calculation to ensure they were accurate.</p>	<ul style="list-style-type: none"> <li>- Provided confidence to trading parties and MOSL that payments made were accurately calculated in accordance with the market codes.</li> <li>- Met the obligations of CPW096 that required the market auditor to perform a review over the Payment Deferral Scheme</li> </ul>

Work performed during the year	Benefits
<p><b>Temporary Vacancy evidenced (in response to Ofwat’s ‘COVID-19 and the business retail market’ publication)</b></p> <p>A review was planned of the application of evidenced flags against temporary vacancies in the market, with the market auditor developing a number of potential different approaches to how this could be performed. As the market responded to this process, it became clear that the volume of cases was not as high as expected and therefore risk of inaccurate vacant flags being applied was reassessed and considered to be low. As a result, MOSL in conjunction with the Audit Panel Sub-group and the market auditor, decided to not pursue this review further.</p>	<p>- A market audit programme that could react to changing market conditions to refocus attention and resources to the greatest need and not stick rigidly to a plan where it is not in the market’s best interests.</p>

Work performed during the year
<p><b>GDPR</b></p> <p>MOSL issued a Request for Information (RfI) to all trading parties in February 2021 to understand how trading parties are meeting their data compliance obligations.</p> <p>Subsequently, MOSL has selected a sample of trading parties for the market auditor to focus on their RfI responses and perform a deep dive over the processes these trading parties have in place to meet their obligations. This is currently ongoing and the output will be a thematic report, containing the findings from the review along with proposed recommendations.</p>



## Market operator compliance

We conducted focused reviews to assess the design and operation of market processes, data and supporting information a detailed review in March and April 2021 focusing on five key process areas, assessing MOSL's compliance with the MAC and the WRC.

Work performed during the year	Benefits
<p>The scope of the Market Operator Review for 2020/21 was focused on priority risk areas, as identified by MOSL and the Audit Panel Sub-group. The market auditor also provided review over the preparation, design and implementation of a risk and controls framework (a Compliance Framework) that will improve the maturity of the organisation in response to compliance, financial and operational risks. This framework will also seek to evolve the assurance efforts, and transition the market audit activities over time to a more efficient and effective controls-based audit.</p> <p><b>In 2020/21 the five areas selected for review were:</b></p> <ul style="list-style-type: none"> <li>- Settlement</li> <li>- Unplanned Settlement</li> <li>- MPS Reporting</li> <li>- MO Charging</li> <li>- MO Invoicing</li> </ul> <p>In addition the market auditor has included change management into scope, as they consider this to be a key process underpinning the management of market codes and core market systems.</p> <p>The market auditor reviewed each of these processes, focusing on the design and operating effectiveness of the key controls within each process, through walkthroughs and sample testing. In addition, the market auditor reconciled the obligations from the MAC and WRC to assess the design of the processes against the requirements in the code.</p>	<ul style="list-style-type: none"> <li>- The aim of the review is to provide confidence amongst the trading parties and MOSL that the market operator key processes are operating in line with the codes.</li> <li>- A more focused review and refined scope than in previous years to ensure targeting of key risk areas and an overall lower fee.</li> </ul> <p>This review is in progress at the time of this report. The findings will be published separately in May 2021, as part of a separate market audit update.</p> <ul style="list-style-type: none"> <li>- The findings will include any recommendations that MOSL can make to ensure that key controls are designed and operating effectively.</li> </ul>

## Settlement assurance

Provision of assurance work over the calculation of settlement (for a specified period) by CMOS in accordance with [CSD0207 'Charge Calculation, Allocation and Aggregation'](#).

Work performed during the year	Benefits
<p>The audit addressed the material risk of misstatement in the calculation of settlement by CMOS, to a level required such that the Market Auditor can issue an ISAE 3000 (Revised) Reasonable Assurance opinion. This included, but was not limited to:</p> <ul style="list-style-type: none"><li>- Review of the operation of CMOS, and its interaction with the settlements calculation</li><li>- Review of controls in place in relation to the collation, calculation and reporting of the settlement information</li><li>- Review of key data items used in the settlement calculation (for the specified period) to assess the consistency with expected values and use of default values affecting the calculations</li><li>- Development of an independent set of logic to recalculate (for the specified period) the settlement volumes and values.</li></ul> <p><b>The ISAE 3000 (Revised) Reasonable Assurance opinion explicitly excludes:</b></p> <ul style="list-style-type: none"><li>- Testing or assessing any forward-looking statements and/or data</li><li>- Testing over the completeness and accuracy of the source data held within CMOS, e.g. meter reads and YVE values</li><li>- Recalculating the settlement amounts to/from any market participants on a continuous basis.</li></ul>	<ul style="list-style-type: none"><li>- The aim of this work is to provide assurance that CMOS is accurately calculating settlement in accordance with the relevant aspects of the market codes</li><li>- This testing is in progress at the time of this report. The findings will be published separately in May 2021, as part of a separate market audit update.</li></ul>

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## Future development of the market audit

The market auditor's role and the overall strategy for assuring market activity is continually evolving and during the year the Market Auditor and MOSL undertook a detailed 'lessons learnt' exercise with the Panel's Audit Sub-group. Recommendations included:

- redefining the purpose of the market audit
- reviewing the governance framework for the audit and the associated terms of reference; and
- developing a revised approach to market audit activity to encompass a blend of internal and external resources.

These recommendations are currently being implemented.

The decisions on the scope and approach for future audits will be linked to key and/or emerging risks identified. MOSL, in conjunction with the market auditor and the Audit Panel Sub-group, will assess market risks and determine the most appropriate topics for review, with the objective of maximising benefits from audit activity. This will also complement performance monitoring and rectification activity as MOSL develops its [integrated approach to assuring compliance and performance](#).

MOSL's audit and assurance capability will be complemented by use of the market auditor for specialist work in areas such as the GDPR review, or where further resource for larger scale testing and trading party engagement is required.

With regards to market operator compliance, the market auditor will continue to assess the design and operating effectiveness of MOSL's response to comply with its obligations. As MOSL continues to develop its Compliance Framework, the market auditor will seek to evolve the Market Audit towards a controls-based audit and develop a cyclical testing strategy across the priority risk areas for the market.





**Steve Formoy**  
Finance Director

# Finance Review

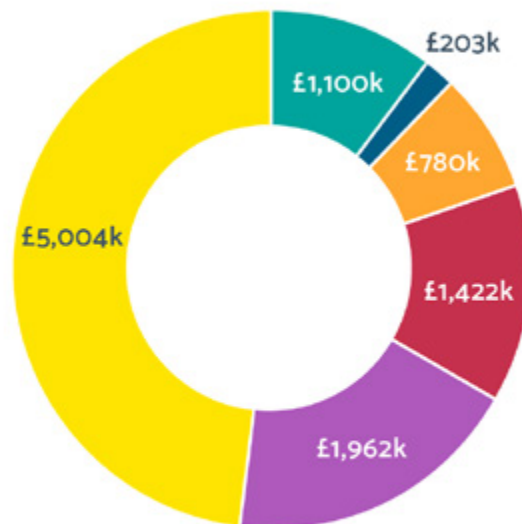
## MOSL Charges

Each year MOSL agrees an annual budget with its members to provide the services set out in the market codes. The funding principles are set out in Section 10 of the Market Arrangements Code (MAC), with 50 per cent of the budgeted costs borne by wholesalers and the remaining 50 per cent borne by retailers. The costs, which are known as Market Operator (MO) charges, are invoiced to individual members based on their market share and totalled £11,200k for 2020/21 (£10,696k 2019/20).

MOSL also charges its members for Additional Services such as unplanned settlement runs in accordance with a published price list. In 2020/21 Additional Service (AS) charges totalled roughly £234k (£184k 2019/20).

Actual spend totalled £10,470k (£10,696k 2019/20). A detailed breakdown of our actual spend compared to budget is provided within the MOSL Annual Report and Financial Statements, which is expected to be published in June 2021.

Total Cost Breakdown 2020/21 (£'000)



Legend: Bilateral Transaction Programme (teal), Market Audit (dark blue), Change (orange), Overheads (red), CMOS Maintenance (purple), People Costs (yellow)

## Market Performance Standards Charges

MPS and OPS charges are levied when trading parties fail to meet agreed performance standards. These performance charges are ultimately redistributed to trading parties or can be used to fund market improvement projects in accordance with the changes introduced by [CPM018: 'Treatment of MPS and OPS Charges' on 1 January 2020](#).

As part of the response to COVID-19, a series of mitigating measures were put in place by the Panel and Ofwat, working closely with MOSL. These measures took effect from March 2020 and had a major impact on performance charges, as follows:

Suspension of the levy and collection of OPS charges from 1 March 2020 to 1 January 2021 - in total £160k of OPS charges were suspended for 2020/21

Suspension of the levy and collection of MPS charges from 1 March 2020 to 1 April 2021 - in total £3,235k of MPS charges were suspended for 2020/21

Performance charges (MPS and OPS) invoiced and collected during 2019/20 were able to be offset by retailers against MOSL's 2020/21 Market Operator charges for the period from April 2020 to September 2020. MOSL automatically credited up to 58 per cent of the amount to be redistributed to individual retailers (or the entire amount if it is less than £2,000) against MO invoices issued in this period. This eased the cash burden on retailers by effectively redistributing £1,476k early, as otherwise these charges would not have been returned to them until September 2020

Returning all remaining MPS and OPS charges to trading parties, totalling £2,594k, in September 2020, rather than using any to fund longer term market improvement projects as permitted by CPM018.

As noted above, CPM018 was introduced in January 2020 and allows MPS and OPS charges to be used to fund market improvement projects. Whilst this was delayed as a result of COVID-19, the intention remains to make use of this funding ability going forward.

A Market Improvement Fund is being established through which such funding will be made, with bids received and assessed under an appropriate evaluation criteria. The structure and governance of this fund is in the process of being established and will be approved by the Panel, with the funding expected to be allocated to successful bids in Autumn 2021.

## Costs

The cost of running the market performance function was circa £443k figure (£1,188k 2019/20) and is shown in the table below. The year saw a series of actions to reduce costs compared to 2019/20. Contractor resource, which had been brought in to fill a headcount gap arising from the move from London, was filled with full time employees (FTEs) at a lower cost. As a result of COVID-19 there was a substantial reduction in travel and meeting expenses and travel related time costs.

## Breakdown of MPF Costs:

	20/21	19/20
Market Performance	£293,323	£298,781
Support from other teams	£36,559	£73,147
<b>MOSL's Market Performance Team</b>	<b>£329,882</b>	<b>£371,928</b>
<b>Cost of running the MPC</b>	<b>£42,062</b>	<b>£100,398</b>
Video production	£2,700	£11,900
Facilities	£803	£9,204
<b>Cost of running the User Forum</b>	<b>£3,503</b>	<b>£21,104</b>
Contractors within MOSL	£34,897	£373,140
Consultants	£32,700	£224,996
Facilities	£0	£9,048
<b>Costs of running the MPOP</b>	<b>£67,597</b>	<b>£607,184</b>
Legal Advice	£0	£12,558
VAT Advice	£0	£4,971
<b>Professional advice relating to CPM018 and CPW078</b>	<b>£0</b>	<b>£17,529</b>
<b>Total Program Spend</b>	<b>£443,043</b>	<b>£1,118,142</b>

# Glossary

**API** - (Additional Performance Indicator) a metric created with the market to review and monitor performance against a specific task or measure. They can be used to create Initial Performance Rectification Plans if the performance measured is not deemed as acceptable.

**BRN** - Billing Reference Number.

**Business Continuity Management System (BCMS)** - Section 4 of Code Subsidiary Document (CSD 0007) requires MOSL to make relevant elements of its Business Continuity Management System available to trading parties. Section 6 requires us to make the Business Continuity Management System maintenance schedule available to trading parties.

**CMOS** - Central Market Operating System. The central IT system and primary repository of customer data, meters and meter reads which is maintained by MOSL.

**Gap Site** - Any Eligible Premises which is in receipt of Water Services and/or Sewerage Services where no Supply Points or insufficient Supply Points are Registered in relation to such Eligible Premises in the Supply Point Register.

**GIS** - Geographical Information System - A geographic information system (GIS) is a framework for gathering, managing, and analysing data. Rooted in the science of geography, GIS integrates many types of data. It analyses spatial location and organizes layers of information into visualizations using maps and 3D scenes. With this unique capability, GIS reveals deeper insights into data, such as patterns, relationships, and situations helping users make smarter decisions.

**IPRP** - Initial Performance Rectification Plan. A plan submitted by a trading party in response to performance which is below target. These plans are managed by MOSL, supported by the Market Performance Committee.

**KPI** - Key Performance Indicator – a metric to show performance against business plan commitments.

**LUM** - Long Unread Meters. Meters which have either not been read for 12 months or meters which have not been read since the market opened.

**MPF** - Market Performance Framework. The synchronised and aligned set of measures to drive efficiency and performance in the market.

**MPS 1,2, & 3,4,5** - Performance standards covering elements of customer setup.

**MPS 7,8,9** - Performance standards covering elements of customer service requests.

**MPS 16,17** - Performance standards covering elements of customer switching.

**MPS 15,18,19** - Performance standards covering the taking and submitting of meter reads in support of accurate customer billing.

**MOSL** - Market Operator Services Limited. The Market Operator for the non-household water market.

**MPC** - Market Performance Committee. A Panel committee of consisting of eight trading party members and an independent Chair with the remit to evaluate performance each month.

**MPOP** - Market Performance Operating Plan. An annual plan to address risks to market performance.

**NAVs** - New appointments and variations (NAVs) are limited companies which provide a water and/or sewerage service to customers in an area which was previously provided by the incumbent monopoly provider.

**PIP** - Pairing Improvement Plan. A joint plan owned by both the retailer and

wholesaler (in a retailer-wholesaler pairing) to improve long unread meter readings. (Please note, the meter is owned by the wholesaler and managed by the retailer).

**PRP** - Performance Rectification Plan. An IPRP which has been formally escalated and is managed by the Market Performance Committee.

**R1** - First financial reconciliation of settlement.

**R2** - Second financial reconciliation of settlement.

**R3** - Third financial reconciliation of settlement.

**RF** - Final reconciliation of settlement.

**Self Suppliers** - those customers who choose to act as their own retailer by having a water supply and/or sewerage licence (WSSL) with a retail authorisation that is limited to self supply. More information on the business retail market can be found on the Open Water website.

**SIC** - The UK Standard Industrial Classification of economic activities, abbreviated as UK SIC, is a five-digit classification providing the framework for collecting and presenting a large range of statistical data according to economic activity.

**SPID** - Supply Point ID. A meter or group of meters serving a customer.

**VOA** - Valuation Office Agency

**WaSCs** - Water and Sewerage Companies who manage both water supply and wastewater services.

**WoCs** - Water only Companies, who only manage only the supply of water.



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