

June 2019

Trust in water

# **CFI outcomes report – strengthening wholesaler performance and service in the business retail market**

## Background

In our 2018 state of the market report, [Open for Business](#), we identified a number of market frictions which need to be addressed as a priority if the business retail market in England is to reach its full potential for customers. These frictions included, but were not limited to, poor aggregate wholesaler performance and interactions between wholesalers and retailers.

In November 2018 we published a [Call for Inputs \(CFI\)](#), focussed on strengthening wholesaler service and performance in the market. The CFI considered some of the potential drivers behind these frictions and shared our initial thinking as to how wholesaler performance could be improved. It identified the following key issues:

- **Wide variance in policy approaches:** Retailers had mentioned the problems and associated cost impact they experienced from dealing with a wide variety of wholesaler policy approaches.
- **Inadequate metrics to measure wholesaler performance and service:** The Market Performance Framework (MPF) includes two sets of metrics – Market Performance Standards (MPS) and Operational Performance Standards (OPS). We thought that additional metrics could be developed, specifically to establish a qualitative view of the service that wholesalers deliver;
- **Weak reputational incentives:** While some wholesaler performance data is published, we thought that a lot more could be done in this space to sharpen reputational incentives. At the time of publishing our CFI, MPS was the only publicly available measure of wholesaler performance, but we were hopeful that OPS data would soon become available.
- **Weak financial incentives:** Several retailers thought that the penalties associated with MPF underperformance were insufficient and argued the case for strengthening the financial incentives for wholesalers to improve performance.

This document reflects on evidence received from the CFI and sets out our expectations on what more needs to be done to improve wholesaler performance. Addressing these market frictions should lead to a better functioning market and deliver improved outcomes for customers.

## Summary of our views

Positive progress has been made in some areas since the CFI was published in November 2018. For example, the Market Operator (MOSL) has stepped up its scrutiny of trading party performance and is shining a light on good and bad performance, both of which will sharpen incentives on trading parties. The Retailer Wholesaler Group (RWG) is making progress developing good practice guidance and a qualitative measure of retailer satisfaction (R-MeX). In addition, the Market Performance Committee (MPC) has implemented Initial Performance Improvement Plans (IPRPs) with a number of trading parties, which are intended to highlight and address specific aspects of underperformance

But more needs to be done to address all of the issues identified in our CFI and resolve the associated market frictions. For example, the incentive framework should be improved to provide a more holistic and customer-focussed assessment of trading party performance, which would incentivise wholesalers to improve levels of service where this benefits customers. With this in mind, we are very supportive of the commitments in MOSL's [Market Performance Operating Plan](#) (MPOP) for 2019/21 to improve the MPF to ensure the right financial and reputational incentives are in place. We think that wholesalers should review the service that they provide and look to improve the way they communicate with retailers, particularly in relation to ongoing, completed and rejected tasks. Wholesalers should also consider if their policies, such as leakage allowance, are appropriate for the business retail market and focus on delivering good outcomes for customers.

While our CFI focussed on wholesaler performance, all trading parties and governance groups have a role to play in ensuring that industry has strong incentives, the right metrics and a consistent and appropriate approach to delivering their services in the best interests of customers. We believe that industry has the tools and processes necessary to address market frictions arising from wholesaler performance. But it's essential that much faster progress is now made.

Ofwat's Chief Executive has recently written an open [letter to wholesalers](#) noting that their overall level of support for the development of effective markets is unacceptable. The letter indicated that we expect to see a significant improvement in coming months and will review progress in autumn 2019.

In **sections 2 and 3** of this report we highlight the key areas which we see as a priority and what we think needs to happen by when.

## **How is the remainder of this document structured?**

The remainder of this report is structured as follows:

1. Key themes emerging from responses
2. Review of progress and assessment of what else needs to be done
3. Our expectations going forward - timeline

**Annex 1** - Summary of responses to CFI questions

## 1. Key themes emerging from responses

We received responses to the CFI from 9 retailers and 14 wholesalers. We also received responses from the Consumer Council for Water (CCWater), the MPC and MOSL.

Some of the key themes emerging from responses are provided below. A more detailed summary of responses to the CFI is provided at **Annex 1** of this paper.

The clearest areas of agreement among respondents were:

- **Scope for more market metrics and reviewing SLAs**  
Most trading party respondents (wholesalers and retailers) thought that the MPF could and should be updated to include a wider range of metrics to incentivise wholesalers and retailers to deliver improved outcomes for customers. There was broad support for measuring qualitative aspects of wholesaler performance. Most respondents also agreed that the turnaround times (SLAs) for MPF tasks should be reviewed to ensure that they are appropriately stretching.
- **Improved visibility of performance**  
Most trading party respondents thought that more performance data should be made available in the market, with trading parties, MOSL, Ofwat and CCWater having a role to play in making information visible. This would strengthen MPF incentives as it would shine a light on good and poor performance.
- **Stronger incentives to complete long overdue tasks**  
Most trading party respondents recognised that more could be done to complete extremely late MPF tasks. Many supported exploring introducing additional or increased charges for long overdue requests, particularly in cases where delays cause significant detriment to customers.

The clearest areas of disagreement between responding retailers and wholesalers were:

- **Policy standardisation**

Retailers argued strongly for this, but wholesalers were less enthusiastic about overall standardisation<sup>1</sup> and argued that policy should be able to reflect specific regional considerations.

- **If improvements to the MPF have been made at a sufficient pace**  
Most wholesalers think good progress has been made so far, while most retailers disagreed and thought that the pace of progress has been too slow.

In addition to the above, many retailers expressed concern about the **data quality challenge** that they face. It was acknowledged that the Data Improvement Plans (DIPs) which MOSL has initiated will help to address some issues. But several retailers thought that a fundamental change in approach is required to address this challenge sooner rather than later.

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<sup>1</sup> Common policies for how retailers and wholesalers deal with business customers (for example, for the application of leakage allowances)

## 2. Review of progress and assessment of what else needs to be done

In this section we review progress made since November 2018 against the 4 key areas of concern identified in our CFI.

- a. Improving interactions between wholesalers and retailers;
- b. Improving measures of wholesaler performance;
- c. Strengthening reputational incentives; and
- d. Strengthening financial incentives.

We also set out our expectations on what more needs to be done to resolve market frictions arising from wholesaler performance.

### 2.a Improving interactions between wholesalers and retailers

#### Bilateral interactions

In our CFI we noted that retailers were concerned that wholesalers had not adopted one common agreed approach for managing bilaterals<sup>2</sup> in the market. This means that they have to comply with multiple approaches for otherwise identical or similar transactions. Improving bilaterals is an identified priority in the MOSL Business Plan for 2019/20. We are fully supportive of this initiative and expect to see wholesalers working constructively with MOSL and the Panel to help to progress this work swiftly. A market-wide bilateral solution has the potential to deliver fundamental improvements in retailer – wholesaler interactions which will improve the effectiveness of the market. We are prepared to intervene if we see evidence that trading parties are unnecessarily obstructing or delaying this work.

#### RWG Market Guidance

Much has been achieved by the RWG so far. We are impressed by the level of collaborative working across trading parties and the development of market guidance.

##### Published RWG Guidance

[Leak Allowance](#)

##### Summary

Provides guidance on ownership and responsibility for leaks on Non-Household private pipework.

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<sup>2</sup> A bilateral solution involves the standardisation of transactions between wholesalers and retailers that are excluded from the central operating system, and is likely to be supported by a technology platform.

### Unplanned Events

The guidance intends to ensure that retailers and wholesalers effectively coordinate and communicate messages during events and incidents.

### Disconnection for Non-Payment

Provides both retailers and the wholesalers with guidance around carrying out a disconnection for non-payment.

### Meter Reading Services - Retailer Information

Provides a centralised location where retailers can easily identify wholesalers who offer a Meter Reading Service within their respective wholesale area.

### Adoption of RWG good practice guidance

A number of responses to the CFI suggested that the true benefits of RWG work won't be realised while the adoption of guidance remains voluntary. There is also a concern that a failure to adhere to RWG guidance could cause detriment to customers. For example, the freeze/thaw and dry summer events of 2018 resulted in water supply interruptions for many customers and revealed that trading parties were not as prepared as they should have been. A code change was subsequently developed, alongside RWG guidance, which is intended to encourage better sharing of customer emergency contact details.

Given the above, we see the benefit of all trading parties adopting guidance that has been developed by the RWG. We will be monitoring the extent to which trading parties are adopting guidance and would be interested to understand the reasons why any trading parties are of the view that they should not adopt this guidance. Where trading parties see benefit in making this guidance mandatory, they can propose a code modification. We are prepared to intervene if we see evidence that other trading parties are unnecessarily obstructing or delaying this process.

### Coordination, governance and visibility of the RWG

Some respondents suggested that MOSL could become more closely involved with the RWG, either in leading it or providing administrative support. The RWG's experience of working at a practitioner level could be useful more widely to MOSL and the MPC. For example, parties might be able to work in tandem in meeting MPOP objectives or contribute towards the ongoing development of the MPF. We are pleased that coordination between MOSL and the RWG has increased since November 2018.

We are encouraged to see that more has been done to improve the visibility of RWG work and ensure buy-in from trading parties. The RWG has recently presented its work at the Future Retail 2 conference. It has also received coverage in MOSLs

market focus (April 2019) and the Water Report (February 2019). We are aware that MOSL recently helped the RWG to communicate its recent R-MeX Call for Inputs to trading parties. As well as hosting market guidance, MOSLs website now also includes a section identifying [dates for future RWG meetings](#). One thing that the RWG could look closer at is ensuring that all working group plans are more visible and have clearer objectives and timescales for delivery.

We also note that WaterUK and UK Water Retailer Council have been working together to improve interactions between wholesalers and retailers to ensure that risks to business customers during extreme weather events are mitigated. As part of this work we support both organisations playing a role in making sure that their members are aware of, and are following, RWG guidance.

## **Ensuring wholesaler policy delivers good outcomes for customers and the market**

We recognise that RWG guidance does not supersede wholesaler policy. It generally provides a framework within which wholesaler policy is applied. This can mean that wholesaler policy approaches, such as leakage and return to sewer allowances, can still vary significantly from region to region. Retailers report that language and terminology used in policy also varies, which can make navigating and understanding wholesaler policy a complex and costly task for retailers.

Retailers have also raised concern that wholesalers take an inconsistent approach in applying policy and have become less customer focussed. We understand that in some cases, such as when assessing claims for leakage allowances, this has resulted in customers experiencing a lesser service than they received prior to market opening.

Ultimately, we want to avoid a situation where the opening of the market has caused a divergence of basic service standards provided by wholesalers between domestic and business customers. While some improvements can be delivered through the RWG, individual wholesalers have a role to play by:

- Ensuring that the terminology used in policy is consistently applied across the market, is up to date and reflects a business retail market environment.
- Reviewing and updating their policies to ensure that good outcomes for business customers remain a focus; and
- Improving accessibility to their market policy.

## **2.b Improving measures of wholesaler performance**

### **Scrutiny of trading party performance**

We support MOSL and the MPC increasing their scrutiny of trading party performance in the market and where necessary implementing IPRPs to address specific areas of underperformance. IPRPs have previously captured company underperformance against MPS. As of 1 April 2019, IPRPs can also consider areas of underperformance against OPS.

The MPC is developing an escalation process that it intends to become market policy. We understand the MPC will consider where it already has tools available to greater incentivise companies to meet IPRP commitments. It will also consider if the codes need to be updated to support this process. Ofwat has contributed to the development of the escalation process and we stand ready to consider cases that are referred to us by the MPC or the Panel<sup>3</sup>.

We expect wholesalers to work effectively with MOSL and the MPC and set themselves ambitious IPRP targets. We will continue to work with MOSL and the MPC so that we can monitor how companies are performing and will intervene if we have concerns with the way wholesalers are engaging with this process.

### **Developing a qualitative measure of retailer satisfaction with wholesaler performance**

The RWG “R-MeX” working group is progressing its development of a retailer satisfaction survey. A [Call for Inputs](#) on the survey scope, structure and questions went out to trading parties in March 2019. We understand a pilot of the survey is due to begin with a small group of retailers in June 2019. We recognise the importance of introducing a qualitative measure of wholesaler performance in the market and think that it can make a very important contribution in addressing market frictions. We encourage trading parties to engage constructively with the RWG “R-MeX” group where possible.

In its MPOP for 2019/20 MOSL commits to improve the MPF to ensure the right financial and reputational incentives are in place to drive service and performance. We are fully supportive of this work and would encourage MOSL to consider if R-MeX should be incorporated into the MPF.

We want to see all wholesalers agree to adopt a common measure of retailer satisfaction by the end of October 2019. With arrangements in place for a measure to be implemented, and the results published, by April 2020. We will consider progress on this as part of our wider review of the market in the autumn. If we do not see adequate progress made in this time, we will consider proposing a code modification to formally implement a consistent measure.

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<sup>3</sup> Ofwat retains discretion to intervene at an earlier stage to consider whether enforcement action is necessary to address trading party poor performance

Once a common measure is implemented, we think it will be important to monitor the impact and effectiveness of this incentive. We note that residential customer (C-MeX) and developer (D-MeX) measures of satisfaction will include financial incentives for under and out performance from April 2020. It may be appropriate for the measure to include financial incentives over time.

In our CFI we explored the concept of implementing a retailer service incentive mechanism through PR19. We indicated that the Codes were our preferred method to drive improved wholesaler performance in the Business Retail market. Based on what we have seen in the responses to the CFI, and the progress made with the RWG R-MeX work, we still believe this to be the case and Ofwat is not proposing to implement scheme focussed on improving wholesaler service as part of PR19.

### **Review of MPF metrics**

We noted general support from respondents that the MPF could be updated to measure most of the areas of performance suggested in our CFI.

Several respondents suggested that there may be some value in undertaking a holistic review of the MPF to assess whether it effectively incentivises trading parties to take action that delivers improved outcomes for customers. For example, some respondents have suggested that:

- The MPF does not adequately cover the key interactions between wholesalers and retailers;
- MPF metrics do not stretch wholesaler performance and the financial incentives are not sufficient to incentivise correct behaviours; and
- The MPF can result in unintended consequences (e.g. penalties incurred due to underperformance outside of a trading party's control) and can be "gamed" by trading parties (e.g. stopping and restarting the clock for tasks to be completed).

We note that the MPC is currently carrying out a general review of MPS measures. In addition, we understand that MOSL and the MPC are undertaking a more strategic review of the MPF as a whole to determine whether it delivers good customer outcomes. As part of this strategic review MOSL is drafting a multi-year plan for improving the MPF. We have already shared feedback from CFI responses to feed into the development of this plan (see [Annex 1](#)) and assist the MPC with its general review of MPS. We think that the strategic review of the MPF provides a good opportunity for MOSL and the MPC to ensure that the "customer voice" is captured in the development process. Ultimately, it is important that any improvements to the MPF better incentivise trading parties to deliver improved outcomes for customers.

We will continue to support both MOSL and the MPC in improving the MPF to ensure it is more customer-focussed. We look forward to seeing the scope, timetable and approach for this work and we are prepared to intervene if we see evidence that trading parties are unnecessarily obstructing or delaying progress. In the meantime, we would also encourage MOSL and the MPC to consider if there are more immediate updates that can be made to the MPF, which can deliver improved outcomes for customers in time for the 2020/21 financial year.

Even though significant work is planned or ongoing, we also think it is crucial that trading parties take a lead on shaping the MPF themselves. The market codes provide an effective route for trading parties to develop a framework that will effectively capture and incentivise the aspects of performance that will deliver good outcomes for customers.

### **Additional Performance Indicators**

Responses received from MOSL, the MPC and trading parties noted that the MPF allows for Additional Performance Indicators (APIs) to be introduced in the short to medium term to potentially measure aspects of wholesaler performance that aren't captured by the MPF. APIs are not intended to attract charges in the event of underperformance but may indicate an underlying performance issue. MOSL has a role in determining where and how APIs should be introduced and can consider data that is not captured within the Market Operator Systems. In such circumstances, MOSL can request that trading parties provide it with the information it needs to monitor performance against an API.

We agree that APIs should be considered to address aspects of performance that aren't adequately measured. We encourage MOSL and the MPC to look at where APIs can be introduced. Earlier in this report we noted that gaps in data at agreed provision points came up in responses to the CFI as a key concern for trading parties. This may be an example where an API would be appropriate.

## **2.c Strengthening reputational incentives**

### **MOSL shining a light on performance**

Since issuing our November 2018 CFI, MOSL has made more peer review data publicly available to highlight specific areas of trading party underperformance.

In February MOSL [published data](#) highlighting the issue with long unread meters in the market. In its [Annual Market Performance Report](#) (AMPR) for 2018/19 MOSL highlighted both good and poor performance of trading parties in the business retail market. The AMPR considers performance against MPS and OPS during the

2018/19 financial year and, for the first time, includes peer comparison league tables. We think that the report has helped to increase transparency in the market and hold underperforming trading parties to account.

We are very supportive of the action taken by MOSL to strengthen reputational incentives and welcome its intention to build on this work during 2019/20. We particularly welcome the introduction of league tables and efforts to better communicate OPS and MPS performance. We support MOSL maintaining its efforts in this area, for example by updating the peer comparison league tables periodically.

### **Publication of 2019 OPS performance**

As of 1 April 2019, new reporting requirements came into effect for OPS. This means that OPS can now operate fully as a reputational and financial incentive. We encourage MOSL and the MPC to start making OPS performance recorded under the new reporting regime publicly available from July 2019.

Some have questioned the level of confidence that the market can have in the data, given that it is currently self-reported. We therefore support efforts that can provide increased assurance for OPS performance data.

### **Qualitative reputational incentives**

Once trading parties have agreed on adopting a common measure of retailer satisfaction, we expect arrangements to be put in place for the measure to be fully implemented, with the first results made publicly available, by April 2020.

We recognise that part of developing a qualitative view on wholesaler performance also involves understanding how the end customer experience reflects the service that wholesalers deliver in the market. With this in mind, we support CCWater's proposal to provide more coverage of wholesaler driven complaints in its complaints reports.

It is also important for wholesalers to consider how they can measure their service to business customers. We are aware that some wholesalers already seek direct feedback on their service from business customers, but we do not believe that a consistent approach is followed throughout the market.

### **Communicating the status of tasks**

Retailers have advised us that they would value understanding how tasks are progressing with wholesalers and the reasons behind deferrals and rejections. We understand that this is something that some wholesalers already do better than others.

To some extent, we hope that the bilateral solution will help to improve the transparency of tasks in the market. But we are aware that there are some guidelines already in the market which set out the level of detail wholesalers should be recording on tasks. For example, alongside the OPS proposal, guidance was issued advising wholesalers to keep a log of reason codes where tasks have been rejected. We think that the information obtained behind the reasoning for why tasks are deferred or rejected will also support the MPC's IPRP process. The MPC could use this type of data in order to gain a better understanding of poor performance and whether tasks are being unfairly rejected by wholesalers, which could result in retailers failing to hit certain MPS task deadlines. For the reasons above, we expect wholesalers to be recording this level of information. A decision on whether this can be made a requirement under the codes should be made in time for approval and implementation during the 2020/21 financial year.

Pending the delivery of the market wide bilateral solution, wholesalers should consider how they can make data on market tasks more publicly visible and accessible to retailers. One respondent suggested that wholesalers could be compelled to do this as part of their Annual Performance reporting requirements. For now, we would ask wholesalers to improve the visibility of this information without the need for changes to the codes or regulatory intervention. As noted above, this appears to be something that several wholesalers already provide to retailers. As such, there is an opportunity for wholesalers to look at existing examples of good practice and coalesce around a common approach.

### **Ofwats role in shining a light on wholesaler performance**

We recognise that Ofwat can play an important role in increasing transparency of wholesaler performance. We will consider how we can amplify information about wholesaler performance within the public arena.

## **2.d Strengthening financial incentives**

### **Use of charges collected for MPS and OPS underperformance**

For CPM008 "Redistribution of MPS Charges" we asked the Panel to reconsider its proposal as we believe that it is likely to result in weak incentives for good performance. This is because trading parties, particularly larger wholesalers and retailers, who perform poorly under the proposed model for redistribution would still benefit from the redistribution of a large proportion of the charges paid – diluting the deterrent effect. Equally, where performance is poor from all trading parties the charges paid by each trading party would be returned directly to them, meaning there would be no financial incentive to achieve a high level of performance from larger retailers and wholesalers.

We approved the Panel recommendation for CPW049 & CPM012 “OPS Review”. Charges for OPS underperformance came into effect from April 2019. The OPS recommendation does not propose to introduce caps for OPS underperformance charges, nor does it propose to redistribute charges. We await confirmation from the MPC on how it intends to use these charges.

We note that the MPC has recently employed external support to assist it in developing its recommendation for MPS and OPS redistribution and we expect to receive a recommendation from the Panel by October 2019.

### **Strengthening other aspects of the MPF**

Some retailers raised concerns that the financial incentives associated with the MPF may not be sufficient to encourage wholesalers to deliver better outcomes for customers.

As mentioned above, we have already shared detailed feedback from CFI responses with MOSL and the MPC to feed into work that is underway to improve the MPF. As part of this work we ask MOSL and the MPC to assess the following issues relating to performance levels, ongoing fines and levels of charges. Where possible, we encourage the MPC and MOSL to consider where improvements can be made to the MPF in time for implementation during the 2020/21 financial year. Given the context of the strategic review of the MPF it might be challenging to make fundamental changes to the levels of MPS and OPS charges in the short-term.

Wholesalers and retailers also have a key role to play in improving the MPF and we expect them to do so through the code modification process. For example, trading parties may have evidence of where companies are able to complete MPF tasks well within existing SLAs.

#### Performance levels - SLAs

There has been an overall improvement in wholesaler performance against MPS since charges for underperformance were imposed in April 2018. We hope that the introduction of charges for OPS underperformance will have a similar impact. However, we are also aware that many retailers think that the MPF does not stretch wholesaler performance, and several retailers have suggested that a review of SLAs for MPS and OPS tasks is needed.

We agree that there is a case for undertaking a review of SLAs for MPF activities. We suggest that, in the first instance, this could be carried out as a targeted review, focussing on two or three MPF activities where underperformance is deemed to have a highest impact on retailers and their customers.

#### Ongoing fines

We noted that some trading parties expressed concern that OPS does not enable ongoing charges to be applied for “extremely late” tasks. While OPS underperformance charges start and end at the highest equivalent level for MPS (£40), we do not consider this to be a long-term solution. Once the £40 charge has been applied for a late OPS task, no further penalties are applicable. Ultimately this can increase the chances of customer detriment as wholesalers face no further financial incentives to complete a late task.

Given the above, there is a clear need for consideration of an appropriate method which ensures that charges are also applied to extremely late tasks

#### Levels of charges and caps

In general, we note that the penalties for underperformance under the MPF could be perceived to be relatively small when compared to the size of wholesalers. We noted some respondents suggested that penalty charges could better reflect the cost impact of OPS and MPS underperformance (on the retailer and customer).

In some ways OPS has overtaken MPS in terms of its development. No caps are in place for OPS, yet they remain for MPS. This could appear contradictory considering that OPS activities are entirely wholesaler led, while the vast majority of MPS activities are undertaken by retailers.

We acknowledge that the above points don’t necessarily mean the incentives in place are not sufficient, but it is something that the MPC should consider acting upon if it does not think the current design of the MPF is having the desired impact.

### 3. Our expectations going forward - timeline

Reflecting our assessment in section 2, the table below summarises key milestones by which we expect to see further progress being made in the market. As indicated in our recent [letter](#) to wholesalers, we will closely monitor developments over the next few months and will review progress again in the autumn.

Who	What	When
MOSL	Publication of 2019 OPS performance data	From <b>July 2019</b> onwards
All trading parties	Adoption of RWG Market Guidance	Ofwat will be monitoring the uptake of guidance from <b>August 2019</b> onwards. We are interested to understand the reasons why any trading party believes that it should not adopt guidance and will review this in the autumn.
All trading parties	A common measure of retailer satisfaction	All trading parties to agree to adopt a common measure by end <b>October 2019</b>  Arrangements put in place for an agreed measure to be implemented, with the first results published, by beginning <b>April 2020</b>
MPC / MOSL (the Panel)	Proposal for MPS and OPS: Redistribution of underperformance charges.	Submitted to Ofwat by <b>October 2019</b>
MPC / MOSL	Multi-year plan for MPF development.	Finalised by <b>December 2019</b>

## **Annex 1. Summary of responses to CFI questions**

### **We asked stakeholders if they agreed that we had identified the key issues that need to be prioritised and addressed**

Generally, most respondents agreed that more could be done to strengthen reputational incentives and expand performance metrics, specifically to include a more qualitative view of wholesaler performance in the market. Several agreed with the links we drew between wholesaler underperformance against OPS tasks and the impact this has on retailers and customers.

Some retailers mentioned that they had developed good relationships with their wholesalers and noted some improvements in performance and service during the first year of the market. Several wholesalers acknowledged that their service offerings and communication had significantly evolved since market opening.

Some wholesalers thought that adequate incentives are already in place, when considered alongside other initiatives, such as the IPRPs and DIPs. Many wholesalers thought that market maturity and trading party experience needed to be considered in the context of trading party performance.

Many retailers talked about the challenge of poor quality of data having a fundamental impact on their service to customers and settlement. It was mentioned that missing service components and a significant number of long unread meters continue to have a major impact on their performance and ability to serve customers. Some wholesalers suggested that they were working hard with retailers to improve data but noted that there might be different views between retailers and wholesalers on the priorities allocated to certain data items.

We noted a suggestion from several retailers that some wholesalers do the minimum required to deliver their obligations and do not have an incentive to complete MPF tasks earlier than SLAs allow. This tied up with a feeling expressed by some respondents that the MPF was not stretching wholesalers to perform better.

Several wholesalers thought that the report was very much focussed on them but failed to recognise the impact that retailer behaviour has on their own performance. For example, a significant number of wholesalers raised concern that retailers are not appropriately assigning vacant properties in CMOS and suggested that metrics could be introduced to measure performance in this area. One wholesaler reported that they were receiving an increasing number of contacts directly from customers who refuse to speak with their retailer due to their concerns not being dealt with appropriately.

### **We asked for stakeholders to provide additional evidence or views on current wholesaler performance**

### Variance in wholesaler policy application and approach

A number of retailers suggested that there was a case for increased policy standardisation. Some suggested areas to focus on were:

- Leak Allowance and other volumetric adjustments
- Logging, logger data and consent to log
- Customer complaints
- Approach to water regulations visits
- Wholesale tariffs

Wholesaler approaches towards applying leak allowance came up as a frequent concern, with significant cost implications on retailers. Prior to the market opening, in cases where it may have been appropriate to give a leakage allowance even when not formally in line with policy, the wholesaler would often be flexible. However, many retailers now find that this is not the case and they are advocating on behalf of the customer asking the wholesaler to be flexible. CCWater observed that the interactions between wholesalers and retailers could be improved when attending to possible customer-side leakage. They suggested that wholesaler leakage allowances could be linked to customer site audits and supply health checks organised by retailers.

Retailers have indicated that a lack of wholesaler flexibility is an issue that cuts across a number of key policy areas, not just leakage allowance. They have suggested that business customers are at a disadvantage when compared to their position before market opening, when a wholesaler previously may have opted to take a pragmatic approach with the end customer in mind.

Many wholesalers stated that they do not feel that there should be an aim to deliver complete alignment of all policies across market. They felt that the regulatory framework correctly allows for different regional considerations when developing policy. One wholesaler mentioned that population growth, climate change and dry regional conditions has driven its approach to leakage and water efficiency which has then informed the development of its leakage allowance policy. A wholesaler suggested an alternative aim could be to push for the standardisation of terminology in policy.

Some respondents thought that access to policy is a significant issue. Where policy is available online wholesalers do not store this information in a consistent way which can make finding relevant information a time-consuming task. Several respondents thought that Ofwat or MOSL could assist with this issue by hosting a central wholesaler policy library on their websites.

In addition to the above, one retailer noted that there are examples where wholesaler policy is now out of date and reflects pre-market language.

### Inconsistency in the completion and use of forms

Wholesale contracts<sup>4</sup> clearly set out the forms to be used by retailers for different requests. However, one retailer reported that different wholesalers require different forms for the same request. This can result in rejections from wholesalers with no clear reason for the rejection. Retailers are then required to restart the request, which can lengthen timescales to resolve and respond to a customers' issue. Sewer and leakage allowances were noted as a specific area where this occurs.

### Wholesaler to wholesaler relationships

Some retailers highlighted that poor wholesaler to wholesaler communication can negatively affect customers. An example given was deregistration of a property, where the property has water and wastewater services from different wholesalers. When a property is deregistered from the market by one wholesaler, they should advise the other, so the customer does not continue to receive a bill for either service.

### Quality of data and management of CMOS

Several retailers thought that not all wholesalers appear to understand the CMOS system and that more mandatory training may be needed to ensure wholesalers upload quality data to CMOS. Examples include incorrectly entered meter readings and effective dates. Customer detriment can arise because bills are incorrect, but other issues can arise as a result of incorrect CMOS data, e.g. customer time spent contacting the wholesaler and/or retailer attempting to correct data, such as an address of a business premise or meter location.

Some ideas were put forward as to how the market could approach the challenge of data quality. One retailer suggested defining data as pre and post market. They argued that items in the premarket category, such as meters not read prior to market opening, should not be the sole responsibility of the retailer to fix. Once data sets had been defined, the retailer thought that fines could be put on hold for a set period (such as 6 months) during which wholesalers and retailers would work collaboratively to address premarket data issues.

One retailer thought that the Data Improvement Plans could have been more effective if retailers were involved in the development of plans and agreed common areas of focus.

### Meter reading services

Retailers report that some wholesalers are more open to the use of Automatic Meter Readers than others. Retailers have suggested that regional differences in

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<sup>4</sup> Wholesale Contract Schedule 1, Part 3: Operational Terms

wholesaler approach to metering and the provision of meter reading services means that there is a lack of level playing-field for retailers to compete.

A retailer suggested that Ofwat could look to increase its own focus on wholesaler performance against meter reading. Given that wholesalers are already resourced to read household meters in their relevant areas, the respondent thought it would be more efficient for them to also provide a meter reading service for business premises.

### Tariff structures

Several retailers noted the potential for greater harmonisation of wholesale tariff structures. They reported that this can be a significant issue for customers and creates additional costs for retailers in managing such a large number and wide array of different wholesale tariffs. One wholesaler also acknowledged that this is a problem for retailers and a consequence of pricing independence.

### Review of causes behind complaints

One wholesaler suggested that the categorisation of customer complaints could be widened to give a more detailed view of their drivers. They suggested that retailers are not providing sufficient explanations to some customers during initial contacts about market eligibility, private pipework responsibility, and wholesaler leakage allowance policy. Alternatively, one retailer thought that CCWater's analysis might not consider complaints about leakage policy to be partly or wholly attributed to wholesalers. They thought a change to this analysis might result in a significant increase in the proportion of customer complaints which are in some way attributable to wholesaler underperformance.

### **Do stakeholders think planned and ongoing initiatives in the market would deliver sufficient outcomes within a reasonable timeframe?**

In general, most trading parties were supportive of the ambitions of the working groups and initiatives in the market, but a number of concerns were raised.

### Limitation of RWG work

Many retailers expressed doubt that RWG, in its current form, can sufficiently address the issues that they are experiencing with the variance of policy approach in the market. A common concern was that guidance produced by the RWG may not deliver full benefits while it remains voluntary for adoption. A number of respondents suggested that there may be a need to mandate the adoption of guidance by all trading parties to ensure that benefits are realised. CCWater suggested that Ofwat, MOSL and the Panel could look to bring some or all of these groups within formal

governance and thought that RWG guidance could be incorporated into the market codes.

We also noted scepticism from retailers that RWG guidance will really help until there are consistent rules governing how each policy works along with standard SLAs being introduced to capture the relevant steps associated with policy processes.

#### Ensuring trading parties can attend and engage with market initiatives

Trading parties indicated that they sometimes find it difficult to engage meaningfully with all the ongoing forums and groups in the market. Several wholesalers suggested that restructuring or consolidating forums and/or working groups could help. It was suggested that some of the working groups appear to overlap in purpose and scope, with varied representatives. One party thought that a rationalised landscape of working groups, with more clearly defined remits, might alleviate this issue and improve the visibility of ongoing initiatives.

It was suggested that a review of the way these groups are led could improve the way outcomes are facilitated. Some respondents suggested that groups and plans could have clearer objectives and timescales for delivery to ensure that work is being driven forward. Several respondents saw the value of all the main groups appointing independent chairs or bringing in external specialist support to assist with work.

Several retailers indicated that information flows from the groups and forums could be improved. A number of trading parties were also concerned that some important information doesn't get circulated. It was suggested that the visibility, and access to, the RWGs work and its outputs could be improved. It was thought that this might ensure that smaller entrants, or those who struggle to attend all day meetings, are aware of upcoming events and able to better engage with working groups.

#### The role of MOSL and the MPC

One retailer noted that the groups and initiatives discussed in the CFI don't have a primary focus on improving wholesaler performance. They felt that the best way of achieving an objective is with a centrally coordinated initiative (led by MOSL or MPC).

One wholesaler suggested that the role of the MPC could be strengthened to better scrutinise trading party performance. They suggested that the IPRP process could require senior company representatives to attend relevant MPC meetings to explain poor performance and discuss their rectification plan. It was also suggested that financial consequences could be implemented by the MPC should IPRP or DIP targets not be met.

Some respondents thought that MOSL could potentially lead or assist in supporting the administration of certain Industry groups. Some also thought that there was the potential for MOSL to play a more active role in driving group discussions and deliverables.

#### Market wide bi-lateral solution

Many retailers were supportive of the Digital Strategy Committees (DSC) bilateral proposal and saw the potential for it to deliver benefits for all trading parties. Some thought that even without a technological solution, there are additional benefits to be gained through this work in encouraging code standardisation. Other retailers thought that the DSC and RWG bilateral process working group could commit to timescales on when a single set of standards will be introduced to ensure that this improvement is being driven forward. We noted some concerns that the outcome of the DSC review might not be delivered in adequate timescales and may be optional to trading parties, which would hamper its effectiveness.

#### **Is there any other significant ongoing or scheduled work that could drive improvements in wholesaler performance?**

#### Market Audits

Several respondents thought that the Market Audit could play an increased role in supporting performance improvements. A number of respondents were concerned that the results of previous audits have not been made widely available. One retailer suggested that there could be a case for commissioning a targeted audit to look at the disparity of information between wholesalers and retailers. They suggested that the audit could review bilateral information provided by wholesalers against retailers records of bilateral requests submitted. The audit could then consider the correlation of outputs and consider reasons for any disparity.

#### MPOP development

Several respondents were supportive of the approach taken with the MPOP and thought that it helps to focus resources on specific problems in a scheduled approach. Though some respondents thought that the MPOP could be clearer on defined goals and targets for improvement.

It was suggested that continual updates to the MPOP could be made throughout the year to retain focus and momentum on addressing key issues. Several wholesalers thought that the MPOP could have more focus on addressing concerns around the increasing numbers of properties being flagged incorrectly for vacancy.

#### The Water Industry Registration Scheme - Accredited Entity (WIRSAE)

Several respondents said that our review of wholesaler performance should consider WIRSAE, which has been developed to allow contractors, who fulfil the scheme requirements, to become registered as accredited WIRSAE providers. WIRSAE providers are referred to as Accredited Entities in the Wholesale Retail Code. One wholesaler noted that WIRSAE has the potential to bring significant innovation, efficiencies and service improvements into the market.

#### Alternative Dispute Resolution (ADR)

In our CFI we noted that retailers had highlighted concerns about the means of ensuring that wholesalers take ownership for addressing and where needed providing redress for complaints that are found to result from wholesale service underperformance, including complaints escalated to an ADR. In response to this point several respondents noted that a voluntary pilot is planned for 2019 in relation to the Water Redress Scheme ADR. The pilot is aiming to trial amendments to the scheme to more effectively resolve cases involving wholesalers and more fairly apportion the costs incurred.

**We suggested several ways that the MPF could be updated to improve the way that wholesaler performance is measured and incentivised. Did stakeholders believe these would be effective?**

**Were there other areas of performance and interaction that should be considered as part of the next MPS review?**

#### Adding new metrics to the MPF

General support was noted for including metrics to measure wholesaler responses to retailer-initiated data correction requests and data quality. One wholesaler did not feel that a measure of data quality, such as completeness, would provide any indication of wholesaler performance. However, some respondents thought that data quality for both retailers and wholesalers could be measured as the gap in provision at agreed data points, such as meter details.

Some respondents supported a measure of how effectively wholesalers deliver planned and unplanned event messages to retailers. However, one wholesaler suggested that performance in this regard could be captured as part of the RWG R-MeX initiative. Another retailer thought that this was an area that was still developing and taking on board the lessons learned from the Freeze/Thaw and Drought conditions of 2018. As such, they thought it might be too early to develop a metric to measure performance in this area.

Several retailers and wholesalers suggested that general communication between retailers and wholesalers should be considered and captured as part of any future

review of the MPF metrics. While it was suggested that this could include a measure for the quality of trading party performance when dealing with escalations and complaints, some thought it could also identify and capture causes of escalations. One party thought it would be helpful to measure the number of contacts and requests which were made by a retailer to a wholesaler before an issue was adequately resolved.

#### Process for introducing new metrics

Most wholesalers and a couple of retailers thought it important to give time for recent changes to OPS and MPS to bed in before implementing further metrics. They suggested that any further review and update of the MPF would be best done once a full years' worth of stable performance data was available and once the IPRPs and DIPs have had a chance to take effect. It was suggested that DIPs might result in an initial drop in performance and increase in penalties but are important in getting to a point where market data is in a better shape. Some respondents expressed concern that new areas of focus for wholesalers could distract them from data improvement objectives.

One wholesaler noted that the MPC and MOSL have the flexibility to look at performance issues across the market as and when required. They thought that implementing code-based performance measures could inhibit this flexibility and could lead to inefficient behaviours to address specific performance issues that may not be material in nature.

Several wholesalers argued that if new metrics are to be added then it was worth considering if any should be removed, to reduce the administrative burden on trading parties and prevent the dilution of key activities.

A number of respondents pointed out that there is scope within the MPF to use APIs to measure certain aspects of performance without the need for introducing new MPS or OPS metrics. It was suggested that introducing APIs would allow for a more measured development of the MPF.

#### Review of SLAs

A number of trading parties supported a general review of SLAs for OPS and MPS processes to consider if they meet business customer expectations. Some noted that any further reviews of SLAs in the MPF should allow retailers to influence the standards most important to them.

One respondent suggested that stable data is needed to help Industry and the MPC establish trends and build a case for tightening SLAs or including any new metrics. CCWater noted that some wholesalers may take the view that going beyond

minimum SLA requirements to resolve individual complaints could be perceived as giving undue preference to a retailer and not operating a level playing field. CCWater thought that this may come from a false interpretation of Ofwat guidance on arms-length retail operations from before market opening.

### **Aside from updates to the MPF, are there any other ways that the codes could be changed to better measure wholesaler performance?**

#### Qualitative measures of wholesaler performance

There was broad agreement that there is a gap in market metrics to measure qualitative aspects of wholesaler performance. Many respondents expressed hope that the RWG R-MeX work could fill this gap. Though a number of wholesalers did express concern as to how this can be introduced practically (lack of retailer dispersion in each region, in-area retailers, etc.).

One retailer suggested that a holistic framework could be implemented immediately through the Codes and include the following aspects of wholesaler performance:

- CCWater Complaints figures
- Bilateral performance
- Data quality - focussed on key areas, such as meter location; and
- End satisfaction of retailers and business customers

#### Performance against DIPs

In its response to the CFI the MPC noted that making progress on underlying data quality would deliver substantial improvements in the market functioning. They suggested that it might be helpful to update the codes so that DIPs fall under the same rectification and governance process as IPRPs.

### **Is sufficient progress being made in reviewing and updating the MPF? If not, what more do you think should be done in the short and long term?**

#### Pace of MPF development

Most wholesalers and retailers acknowledged that good work has gone into updating the MPF. But many retailers suggested that progress to date had been too slow.

Some wholesalers acknowledged that there may be a case for making accelerated changes to the MPF in order to address issues more quickly. But they noted that balance must be struck between adjustments and allowing wholesalers' time to implement system and reporting process changes.

Some respondents thought that annual adjustments to the MPF might not be dynamic enough for the new market. A retailer suggested that the present approach feels like it is based too much on refining incentives that are outdated and ineffectual.

One wholesaler suggested that to speed up the process new metrics could initially be added on a no charge basis, but with the clear intent to implement charges after a pre-determined period. This would allow a period for preparation, reporting assurance and correction. Peer metrics would be published immediately. It was also suggested that consultations on any proposed additions should be much shorter and with a more restricted scope to facilitate quicker implementation.

It was suggested that there was a need to develop a comprehensive list of issues and proposed changes to the MPF and setting realistic timescales for resolving these.

#### Supporting the review process

Several retailers and wholesalers backed additional support being provided to improve the process of updating the MPF. Some thought this would help to build upon the work of the OPS working group (that was established by the MPC), retain momentum and provide objectivity. Some respondents were receptive to the idea of bringing in external input. Others thought that funding could instead be put towards forming of a cross-trading party working group, who would focus on delivering agreed improvements in market performance and retailer service experience.

#### The case for undertaking a holistic review of the MPF

Many trading parties suggested that there may be some value in undertaking a strategic review of the MPF to consider:

- If the MPF can result in unintended consequences or provides unequal treatment of trading parties. For example, concerns were raised that wholesalers can have underperformance exclusions for adverse weather, while retailers don't have similar exclusions for failing to complete meter readings at times of severe weather warnings.
- If MPS or OPS underperformance which can be shown to be as a direct result of another trading party failings could be retracted or have penalties removed. Some retailers thought that they can be disproportionately affected if they serve a large number of SPIDs in a poor performing wholesaler area. It was noted that this might apply the other way around too (e.g. poor retailer performance having an adverse impact on wholesalers).

- If the MPF could put more focus on trading parties delivering good quality outcomes for the end user, rather than timeliness of task completion. It was suggested that the framework doesn't necessarily encourage collaborative working in order to work out the best overall solution. One party suggested that the next review should look at process steps in the Operational Terms used for OPS metrics to ensure they are aligned with qualitative customer outcomes.
- If there is scope for the MPF to be gamed or manipulated to avoid underperformance penalties. Some retailers reported that wholesalers place a form on hold without telling the retailer that it is on hold, the reason for the hold and/or when the form is active again. It was suggested that inconsistent reasoning is provided by wholesalers for premature task closures, deferrals and rejections. Some retailers thought that the wholesale portals are a good start at improving this issue, however there is an inconsistent use of them. One retailer called it 'bilateral ping pong'. Ultimately where a lack of transparency on the status of tasks exists it is hard to explain to customers the reasons for delays. Customers can feel frustrated that they are not kept informed or feel that their issue is being passed 'back and forth' between their retailer and wholesaler.
- If the MPF could incorporate targets for individual wholesalers to try and address regional market issues (e.g. SPID accuracy and data might be more of an issue for some wholesalers than others). Some respondents referred to the bespoke performance commitments that wholesalers have proposed as part of their business plan commitments and wondered if the MPF could emulate this approach. It was suggested that this could ensure that specific regional issues are addressed, rather than applying a broad approach that can result in unnecessary areas of focus for some wholesalers.
- If code changes could be implemented to prevent wholesalers unilaterally shutting down requests without engagement with the relevant retailer.

### **Can Ofwat, MOSL or any other parties use performance data to strengthen reputational incentives for wholesalers to improve performance?**

There was a general consensus among respondents that more data should be publicly available. One wholesaler suggested that this is something that all parties in the market could do better (wholesalers, retailers, MOSL and Ofwat).

The responses noted that some wholesalers already publish their own performance data on their websites or have agreed to do so as part of their proposed PR19 business plan commitments. Some retailers mentioned that they receive monthly

performance reports from wholesalers on work that they have initiated, including a detailed breakdown and analysis of issues. We got the sense that this type of reporting was the exception rather than the norm in the market.

#### More mandatory wholesaler reporting

Some retailers thought that the codes could be updated to require wholesalers to publish monthly performance reports providing a wider level of detail on MPS and OPS tasks. It was suggested that the reports could include:

- Long outstanding requests
- Status of outstanding tasks
- Deferrals and rejections of requests (with reasons provided)
- Number of repeat requests needed to be made prior to complete resolution
- % of old requests closed without full resolution, resulting in a new request; and
- The outcome of each task.

One retailer suggested that all wholesalers should be compelled to provide monthly performance reports to their retailer customers providing a view of:

- The number of the same type of case declared and currently open.
- The number of same SPID (repeat issues) queries.
- A measure on the number of days ahead of SLA for completed resolution.
- How many tasks were not resolved within the SLA; and
- Current number of outstanding long-unread meters.

A number of wholesalers pointed out that the changes proposed to OPS reporting include an extremely late measure and suggested that this will allow for some improved visibility of the issue in relation to OPS. As noted earlier in this report, the new OPS reporting guidance also advises wholesalers to record the reasons for rejecting tasks

It was also suggested that wholesaler performance activity for both domestic and business customers should be published in a comparative and user-friendly format in order to accurately benchmark overall wholesaler performance.

#### Other ways to strengthen reputational incentives in the market

- The RWG “R-MeX” work was noted by many respondents for its potential to deliver a scheme which could incentivise wholesalers to improve their service and communication to retailers.
- It was suggested that MOSL or Ofwat could introduce league tables and undertake more reporting of metrics.

- One respondent suggested that Ofwat could request that wholesalers incorporate market performance information into their Annual Performance Reports.
- One wholesaler suggested that business retail market performance dashboards could be developed and published, similar in format to the DiscoverWater website.
- CCWater noted that as part of its complaint monitoring, and in collaboration with Ofwat, retailers report to them how many complaints are related in whole or in part to a wholesaler issue. CCWater suggested that it could report both of these measures as part of its annual or quarterly complaints report which could feed into an overall measure of wholesaler performance. Several retailers also supported efforts to improve the visibility of this data.

### **How can the process for redistributing surplus charges be improved to incentivise good wholesaler performance?**

We noted wide support for the OPS proposal for no redistribution of underperformance charges and no caps. Some respondents thought that charges could be redistributed as compensation to retailers impacted by wholesaler underperformance. But overall, many were supportive of the idea that these funds instead could be directed to a central pot for funding market improvement initiatives.

Some retailers and wholesalers thought that MPS charges should not be redistributed either, with those funds also being directed towards market improvements. As per the suggestions for OPS, some retailers thought that charges should be used to reimburse costs directly incurred by retailers as a result of wholesaler underperformance. They suggested that after this reimbursement had been made the remaining fees could be redistributed.

It is worth noting that we received a range of views on what shape MPS redistribution could take:

- i. Some thought that trading parties should not receive a share of redistributed charges in cases where performance has been significantly weak or has not reached a defined level. For example, the MPC could benchmark current performance and impose a trajectory which it expects companies to be able to achieve.
- ii. Some felt that recovered charges should only be redistributed to upper quartile or top 3 performing trading parties.
- iii. Several respondents suggested considering implementing a system that has been proposed for C-MeX as part of PR19, where a “standard

deviation” approach will be used to apply penalties and performance payments.

**Can the charging structure, as set out under the MPF, be improved? For example, are the charges for underperformance appropriate and is the cap set correctly?**

Several respondents thought that charges for underperformance against the MPF could be reviewed and updated. One wholesaler, however, suggested that at this stage of the market, increasing financial penalties would unlikely accelerate the resolution of some of the key issues that needed to be addressed.

Some of the suggested areas to consider when reviewing the appropriateness of underperformance charges included:

- i. The costs incurred for initiating a bilateral request;
- ii. The impact of underperformance on end customers; and
- iii. If the same level of underperformance charge is appropriate across all wholesalers / retailers. For example, a £40 (OPS or MPS) failure may be more significant to a smaller wholesaler than a larger one.

A retailer suggested that OPS charges could be reconsidered in the context of what a retailer pays to initiate a bilateral request and the impact of missing an SLA on customers. One wholesaler suggested that charges applied for underperformance for specific activities should be reflective of those having the highest impact on customers.

One wholesaler suggested that the cap for MPS is too low and could be gradually increased. But they urged caution in determining the appropriate cap level while the market is still stabilising.

**What can be done to incentivise the ongoing completion of tasks that remain outstanding beyond the final time parameter?**

Most respondents supported exploring the idea of introducing ongoing and increased charges for long overdue tasks, particularly in areas that have a high impact on customers. Though one wholesaler suggested that it is difficult to determine how big an issue there is with extremely late tasks within MPS due to the level of historic issues and data quality improvement that is underway. They thought a pragmatic first step would be to monitor and review these tasks more closely.

It was suggested that charges should be set on a stepped basis and should repeat for each month that SLAs are missed. Though, as mentioned earlier in this report, some noted the limitation of delivering this for OPS until a centralised reporting

system was delivered. Several respondents hoped that the Hub system (proposed by MOSL) will facilitate full transactional reporting for both OPS and MPS in the future.

CCWater suggested that the MPF could emulate the charging structure that is in place for the Guaranteed Standards Scheme, where further penalties accrue for outstanding tasks.

A wholesaler did suggest that 'double penalties' for very late tasks could disincentivise improvements to market information. They pointed out that retailers are penalised for not entering meter readings on time and then further penalised when they enter a late meter reading, which acts as a deterrent to recording late meter readings and results in inaccurate settlements based on estimates.

### **Views on what a PR19 wholesaler performance incentive mechanism could look like**

We received a variety of different views on the concept of delivering a service incentive mechanism for wholesalers to provide good service to retailers through PR19. Most trading parties were receptive to the idea of introducing a more balanced reward and penalty framework to encourage improved wholesaler behaviour. But respondents were divided on whether this should be implemented by the market or through PR19. Those respondents who were most keen on having an incentive mechanism in place wanted it to include metrics which have yet to be properly established in the market (e.g. a measure of retailer satisfaction with wholesaler service, wholesaler performance against data queries / correction requests).

Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales. Our vision is to be a trusted and respected regulator, working at the leading edge, challenging ourselves and others to build trust and confidence in water.

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