

Wholesale Board

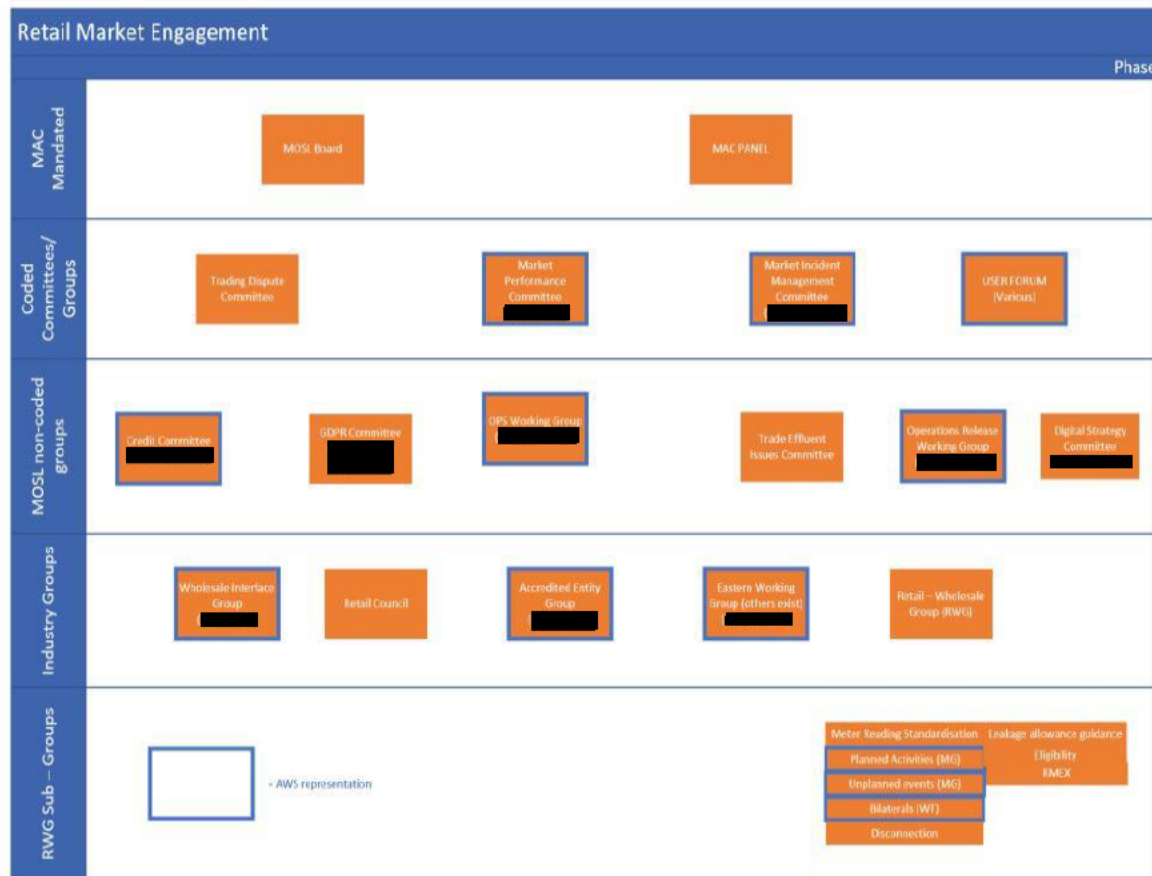
Date:	14 December 2018
Item:	1
Subject:	Business retail market engagement strategy
Purpose:	Discussion
Presenter:	[REDACTED]

Purpose

1. To consider our current level of engagement with the business retail market and present options as to approaches we may wish to take going forward, including Panel nomination.

Background

2. The business retail market has a design such that there are multiple routes through which trading parties can engage with and influence the market. These can be classified as per the diagram below (further descriptions of each governance level in appendix).



Our engagement to date

3. A simple comparison of Panel and committee membership across wholesalers shows that we have the third highest Wholesale representation on these formal groups (Thames and United Utilities have five committee members). By contrast, Wessex Water has no committee panel or committee members, and Yorkshire and South West have one member each. A quantitative comparison company engagement through formal channels is provided in appendix A.
4. Our approach at present has been to have a relatively high presence and influence in developing and advising on market developments, whilst not being one of the few wholesalers with a presence on a MAC-mandated decision-making body (such as MOSL board or the Panel – though ██████████ was a MOSL Board member in advance of market opening).

Options

5. It is desirable that our approach to the market to be based on how we have consciously designed our engagement rather as a reaction to events. Ultimately this should be informed by an appropriate view of the balance of costs (most notably the time commitment for our people) against the benefits (the ability to influence and make decisions).
6. Time commitments vary for each committee, but they typically meet once a month, with preparatory and other work associated with committee members estimated to be an extra two days per month, giving an estimated time commitment for each Panel committee of three days per month. With MOSL's recent relocation to MOSL an additional day of travel will need to be factored in for any committees/ groups based in Southampton.
7. **1- The lead shaper of the market**
 - We seek presence at all levels of engagement shown in paragraph 2.
 - Could form part of messaging to broader stakeholders on being the NHH wholesale market leader (especially if we can demonstrate consistently high performance against the market performance framework).
 - Could put us in a strong position in engaging with Ofwat and government on the business retail and other markets.
 - The highest cost option, both in terms of Panel and Committee representation and greater analytical focus on market development, responding to change and observing meetings.
 - Next steps would include putting forward a nominee for the Panel and considering/positioning membership of MOSL Board when this position is next vacant.
- 2 - A key influencer in the market – current approach**
 - Presence on a number of market governance bodies (default position that we will put a nominee forward unless we see a reason not to).
 - Consider and respond to all consultations.

- Next steps – Consider panel member nomination, and continue the same broad approach as at present targeting coded committees in particular the MPC over TDC or MIMP.

3 - Focussed engagement in key areas – [REDACTED] approach

- Membership of formal groups limited to those parts of the market deemed to be of higher importance.
- Respond to consultations based on an initial assessment of whether it is a high or low impact change.
- Continue to attend informal groups of most importance.
- Next steps, take a strategic decision on one or two committees on which we should be a part.

4 – Effective responder to change – [REDACTED] approach

- A basic level of engagement (not having a voice at the table, but ability to respond to change effectively and provide input on the most significant market changes and consultations).
- No membership of Panel or its committees, increasing resource availability for other priorities.
- Respond to consultations based on 'flash' view as to whether it is an area we want to shape.
- Risk of being a rule-taker in the market.

Panel membership and nomination

8. We have been invited to put forward nominations to the Panel. The following points should be noted.
 - Nomination required by 14 January if we are to put someone forward
 - Requirement to confirm who will be **voting by 14 December**
 - Meetings to take place in London
 - 31 meetings from Feb 17 to Dec 18. 1-2 meetings per month
 - Expect an additional ~2 days of time per month for prep and related work.

Panel membership and nomination

9. Wholesale Board is invited to take a view as to the strategic approach to engagement in the business retail market drawing on the 4 options presented in this paper.
10. Based on the above decision, the Board is also invited to consider whether to put forward a nomination for Panel membership.

Appendix A

	Nature of group	Membership	Examples of key decisions made	Representation
1	MO governance	CEO level	MOSL business plan Relocation decisions	1 wholesaler (currently Bristol Water)
2	Market Governance (Panel)	Senior leaders in market	All changes to market codes Membership of Panel committees Governance of key market developments (e.g. market audit)	3 wholesalers (currently Thames, Southern and Yorkshire)
3	Coded Committee/Groups	Senior leaders	Limited direct decision-making ability but influences MPF and makes recommendations to the panel	2 X AWS
4	MOSL Non-coded groups	Subject Matter Experts	Created in response to issues and viewed as specific purpose groups Typically receive Panel delegation to develop and recommend solutions to key market issues.	3 x AWS
5	Industry Groups	Varied	Discussion forums and specific task Groups	3 x AWS
6	Industry Sub Groups - RWG	Subject Matter Experts	Developing best practice guides that are non-mandatory. No code change proposed Ofwat providing more emphasis on these groups and have considerable areas now being covered Initiatives supported by CCW	2 x AWS

Membership of panels and committees

	MOSL Board	Panel	Trading Disputes	Market performance	Market Incident Management	GDPR	Trade Effluent	Credit	Total
Wholesalers									
Thames		X	X			X	X	X	5
UU			X	X	X		X	X	5
Anglian				X	X	X		X	4
Severn Trent				X			X	X	3
Southern		X					X	X	3
Bristol	X			X		X			3
Northumbrian			X				X		2
South West					X				1
Yorkshire		X							1
South East						X			1
Welsh									0
Wessex									0
Affinity									0
Portsmouth									0
South Staffs									0
SES									0
Retailers									
Water Plus	X	X	X	X	X			X	6
Wave		X		X		XX	XX		6
Castle		X	X		X		X	X	5
Water2Business		X	X				X		3
Business Stream		X		X			X		3
Clear Business Water/ Verastar		X				X		X	3
Waterscan				X				X	2
Three Sixty/ Kelda Group					X	X			2
Everflow	X								1
Pennon			X						1
Aquaflow			X						1
ADSM			X						1
TWRC							X		1

Number of market consultation responses sent by wholesalers

