

## MOSL Request for Information (RFI): Developing a market-backed Bilaterals Solution

*Response to be posted by Monday 21 January 2019*

### **Executive Summary**

There is a widely-held concern within the water retail market that inefficient and inconsistent bilateral interactions between trading parties damage market efficiency, increase costs, impact poorly on customers and increase barriers to entry and exit.

However, unsurprisingly in a diverse market, the scale of impact caused by these issues varies considerably among trading parties; for some it is significant, for others it might be negligible.

MOSL's role is to work with trading parties and the regulator to make the market as efficient as possible. We have been working with the market to understand the problems caused by bilateral transactions and possible solutions. We highlighted in our 2019/20 Business Plan that working with the market to resolve these issues is a priority for us in the coming year.

The purpose of this Request for Information (RFI) is to make sure that trading parties have an opportunity to express their views on the problems caused by bilateral interactions, and on the opportunities, options, challenges and implications of developing a market-wide solution.

In our 2019/20 Business Plan we have provisioned £600k for bilaterals and this funding will be released subject to Board consideration and approval of the business case.

This RFI and the subsequent RFI on detailed cost assumptions (see timeline) will ensure that the final recommendation and the business case that is presented to the MOSL Board, has the widest breadth of market input possible.

We have amended the process for development and sign-off of the business case to make sure there is appropriate time available for responses to be captured and analysed. To help trading parties understand where we are in this process and

understand the opportunities to input into the business case we have set out the timeline in this document for information. The RFI is in five sections:

1. Publication of the timeline, opportunities for trading party interaction and input into the bilaterals project and highlight of the governance process for bilaterals
2. Publication of the problem statements from industry workshops and engagement with members throughout 2018
3. Exploring opportunities in defining what a positive outcome might look like for industry .Trading parties also have the option in this section to outline additional opportunities, which may not be captured in the RFI itself
4. Understanding the headline variable ratios between options for a solution and their associated benefits. This is a high-level indicator and we ask trading parties to provide their best estimate
5. Invitation for trading parties to provide additional information which is relevant to their organisation or to offer us more in-depth feedback for any of the answers provided above

The information provided may be published unless explicitly marked as confidential. In the event the information supplied is marked confidential it will be anonymised so as not to be identifiable or attributable to any organisation.



The final bilaterals business case will be presented to the MOSL Board April 2019 for Board approval.

## Bilaterals RFI Section 2: Problem Statements

In the following table please indicate your agreement level against each problem statement.

1. There is inconsistent handling of forms and processes resulting in significant duplication of effort
  - Agree
  - Neutral
  - Disagree (***Retailer focussed***)
  
2. Processes are run manually often via email which results in inefficiencies within my organisation
  - Agree
  - Neutral
  - Disagree (***Retailer focussed***)
  
3. Multiple user accounts required across different portals which causes costly and inefficient onboarding and training within my organisation
  - Agree
  - Neutral
  - Disagree (***Retailer focussed***)
  
4. High rejection rates from completed forms due to missing or incorrect data which results in significant duplication of effort
  - Agree
  - Neutral
  - Disagree (***Retailer focussed***)
  
5. Complex staff education and training causing increased costs to my organisation
  - Agree
  - Neutral
  - Disagree (***Retailer focussed***)

6. Lack of adoption of the API integrations that support the Operational Terms causes greater manual work for my organisation

- Agree
- Neutral
- Disagree

7. Manual reporting on the OPS terms for wholesalers causes inaccurate reporting

- Agree
- Neutral
- Disagree

8. Our customers face delays which are caused by inefficiency of bilateral transactions

- Agree
- Neutral (***Retailer focussed***)
- Disagree

## Bilaterals RFI Section 3: Opportunities

In the following table please indicate your agreement level against each opportunity statement.

1. I could have better transparency on what stage my bilateral transaction is in and I could keep my customer informed more accurately

- Agree
- Neutral
- Disagree (***Retailer focussed***)

2. My headcount for manual reconciliation could be reduced as more bilateral transactions are being accepted first time

- Agree
- Neutral
- Disagree (***Retailer focussed***)

3. Data quality could be improved considerably

**Notes:** Clarification required on what data quality is being referred to in this question

- Agree
- Neutral

Disagree

4. Standardisation would enable me to train new starters in my team on bilaterals quickly and efficiently

Agree

Neutral

Disagree (**Retailer focussed**)

5. Friction caused by bilaterals could be reduced significantly and could be proportionate to the number of transactions

*Notes: Clarification required on the specifics of 'friction' being referred to in this question and how they would be proportional to transactions*

Agree

Neutral

Disagree

6. Performance against SLAs could be improved due to more transparent and open reporting

Agree

Neutral

Disagree

*Notes: Performance against SLAs are being reported as part of the OPS measures and is available for all trading parties to view. Clarification required on what the scope is for any incremental improvements with regards to transparency and reporting.*

7. I could have more freedom to enter and exit new regions in the non-household market as they become attractive

Agree

Neutral

Disagree (**Retailer focussed**)

8. A significant barrier to entry and exit could be minimised through standardisation

Agree

Neutral

Disagree

*Notes: Clarification is required for the scope of standardisation to accurately assess the impact on barriers to entry for new trading parties.*

9. Increased transparency in the market reduces the need for regulatory intervention

- Agree
- Neutral
- Disagree

10. Please provide any additional opportunities you could foresee through a centralised bilateral solution

## Bilaterals RFI Section 4: Options and Expected Benefits

As our understanding of the opportunities and options available to industry matures we will continue to communicate the details of a proposed solution with trading parties. For this RFI we would like a high-level indication on the following items against a number of different solution options. Please find below the definitions of the options that being proposed:

- Organic solution - The market continues to operate as it does currently with bilaterals continuing to be self-governed between individual trading parties.
- Standard specification - A set of industry standards and guidelines facilitated and arbitrated by MOSL that are optional. Trading parties agree to adopt to improve bilateral transactions (for example Rejection Reason Codes) for the good of the overall market and end customer, however these are not mandated.
- Mandated in Codes - As above, however the standards are written into the codes formally, meaning that industry would have to comply with standards for bilateral transactions (for example Rejection Reason Codes).
- Technology enabled - A common technology solution which incorporates all of the formal code changes covered in the other options, plus a code change that requires every trading party in the market to log transactions through a technology platform. This common

technology stack would harmonise with existing trading party technology for efficient and cost effective adoption.

In this section, please select the best estimate to the benefit or cost likely to be derived/incurred by your organisation.

1. Forms standardisation benefit: organic solution
  - 0% – There will be no impact, benefit or cost
  - 25% – there will be marginal gains, benefits or cost
  - 50% – there will be some gains, benefits or cost
  - 75% – there will be significant gains, benefits or costs
  - 100% - problem eradicated Full benefit. Most expensive solution
  
2. Forms standardisation benefit: standard specification
  - 0% – There will be no impact, benefit or cost
  - 25% – there will be marginal gains, benefits or cost
  - 50% – there will be some gains, benefits or cost
  - 75% – there will be significant gains, benefits or costs
  - 100% - problem eradicated Full benefit. Most expensive solution
  
3. Forms standardisation benefit: mandated in codes
  - 0% – There will be no impact, benefit or cost
  - 25% – there will be marginal gains, benefits or cost
  - 50% – there will be some gains, benefits or cost
  - 75% – there will be significant gains, benefits or costs
  - 100% - problem eradicated Full benefit. Most expensive solution
  
4. Forms standardisation benefit: technology enabled
  - 0% – There will be no impact, benefit or cost
  - 25% – there will be marginal gains, benefits or cost
  - 50% – there will be some gains, benefits or cost
  - 75% – there will be significant gains, benefits or costs
  - 100% - problem eradicated Full benefit. Most expensive solution
  
5. Data standardisation benefit: organic solution
  - 0% – There will be no impact, benefit or cost
  - 25% – there will be marginal gains, benefits or cost
  - 50% – there will be some gains, benefits or cost
  - 75% – there will be significant gains, benefits or costs
  - 100% - problem eradicated Full benefit. Most expensive solution
  
6. Data standardisation benefit: standard specification
  - 0% – There will be no impact, benefit or cost
  - 25% – there will be marginal gains, benefits or cost

- 50% – there will be some gains, benefits or cost
  - 75% – there will be significant gains, benefits or costs
  - 100% - problem eradicated Full benefit. Most expensive solution
7. Data standardisation benefit: mandated in codes
- 0% – There will be no impact, benefit or cost
  - 25% – there will be marginal gains, benefits or cost
  - 50% – there will be some gains, benefits or cost
  - 75% – there will be significant gains, benefits or costs
  - 100% - problem eradicated Full benefit. Most expensive solution
8. Data standardisation benefit: technology enabled
- 0% – There will be no impact, benefit or cost
  - 25% – there will be marginal gains, benefits or cost
  - 50% – there will be some gains, benefits or cost
  - 75% – there will be significant gains, benefits or costs
  - 100% - problem eradicated Full benefit. Most expensive solution
9. Cost to implement: organic solution
- 0% – There will be no impact, benefit or cost
  - 25% – there will be marginal gains, benefits or cost
  - 50% – there will be some gains, benefits or cost
  - 75% – there will be significant gains, benefits or costs
  - 100% - problem eradicated Full benefit. Most expensive solution
10. Cost to implement: standard specification
- 0% – There will be no impact, benefit or cost
  - 25% – there will be marginal gains, benefits or cost
  - 50% – there will be some gains, benefits or cost
  - 75% – there will be significant gains, benefits or costs
  - 100% - problem eradicated Full benefit. Most expensive solution
11. Cost to implement: mandated in codes
- 0% – There will be no impact, benefit or cost
  - 25% – there will be marginal gains, benefits or cost
  - 50% – there will be some gains, benefits or cost
  - 75% – there will be significant gains, benefits or costs
  - 100% - problem eradicated Full benefit. Most expensive solution
12. Cost to implement: technology enabled
- 0% – There will be no impact, benefit or cost
  - 25% – there will be marginal gains, benefits or cost
  - 50% – there will be some gains, benefits or cost
  - 75% – there will be significant gains, benefits or costs

- 100% - problem eradicated Full benefit. Most expensive solution

13. Complexity to implement: organic solution

- 0% – There will be no impact, benefit or cost
- 25% – there will be marginal gains, benefits or cost
- 50% – there will be some gains, benefits or cost
- 75% – there will be significant gains, benefits or costs
- 100% - problem eradicated Full benefit. Most expensive solution

14. Complexity to implement: standard specification

- 0% – There will be no impact, benefit or cost
- 25% – there will be marginal gains, benefits or cost
- 50% – there will be some gains, benefits or cost
- 75% – there will be significant gains, benefits or costs
- 100% - problem eradicated Full benefit. Most expensive solution

15. Complexity to implement: mandated in codes

- 0% – There will be no impact, benefit or cost
- 25% – there will be marginal gains, benefits or cost
- 50% – there will be some gains, benefits or cost
- 75% – there will be significant gains, benefits or costs
- 100% - problem eradicated Full benefit. Most expensive solution

16. Complexity to implement: technology enabled

- 0% – There will be no impact, benefit or cost
- 25% – there will be marginal gains, benefits or cost
- 50% – there will be some gains, benefits or cost
- 75% – there will be significant gains, benefits or costs
- 100% - problem eradicated Full benefit. Most expensive solution

17. Compliance – The market's ability to enforce & report on SLAs: organic solution

- 0% – There will be no impact, benefit or cost
- 25% – there will be marginal gains, benefits or cost
- 50% – there will be some gains, benefits or cost
- 75% – there will be significant gains, benefits or costs
- 100% - problem eradicated Full benefit. Most expensive solution

18. Compliance – The market's ability to enforce & report on SLAs: standard specification

- 0% – There will be no impact, benefit or cost
- 25% – there will be marginal gains, benefits or cost
- 50% – there will be some gains, benefits or cost
- 75% – there will be significant gains, benefits or costs
- 100% - problem eradicated Full benefit. Most expensive solution

19. Compliance – The market’s ability to enforce & report on SLAs: mandated in codes

- 0% – There will be no impact, benefit or cost
- 25% – there will be marginal gains, benefits or cost
- 50% – there will be some gains, benefits or cost
- 75% – there will be significant gains, benefits or costs
- 100% - problem eradicated Full benefit. Most expensive solution

20. Compliance – The market’s ability to enforce & report on SLAs: technology enabled

- 0% – There will be no impact, benefit or cost
- 25% – there will be marginal gains, benefits or cost
- 50% – there will be some gains, benefits or cost
- 75% – there will be significant gains, benefits or costs
- 100% - problem eradicated Full benefit. Most expensive solution

21. Enhanced business processes: organic solution

- 0% – There will be no impact, benefit or cost
- 25% – there will be marginal gains, benefits or cost
- 50% – there will be some gains, benefits or cost
- 75% – there will be significant gains, benefits or costs
- 100% - problem eradicated Full benefit. Most expensive solution

22. Enhanced business processes: standard specification

- 0% – There will be no impact, benefit or cost
- 25% – there will be marginal gains, benefits or cost
- 50% – there will be some gains, benefits or cost
- 75% – there will be significant gains, benefits or costs
- 100% - problem eradicated Full benefit. Most expensive solution

23. Enhanced business processes: mandated in codes

- 0% – There will be no impact, benefit or cost
- 25% – there will be marginal gains, benefits or cost
- 50% – there will be some gains, benefits or cost
- 75% – there will be significant gains, benefits or costs
- 100% - problem eradicated Full benefit. Most expensive solution

24. Enhanced business processes: technology enabled

- 0% – There will be no impact, benefit or cost
- 25% – there will be marginal gains, benefits or cost
- 50% – there will be some gains, benefits or cost
- 75% – there will be significant gains, benefits or costs
- 100% - problem eradicated Full benefit. Most expensive solution

# Bilaterals RFI Section 5: Additional Questions

Required

1. Would a mandated approach to bilaterals be beneficial to the market?  
Please give a reason for your answer.

We are supportive of steps to improve bilateral interactions where there is a clear business case to do so with benefits for all Trading Parties.

We note that the Market Codes already provide for a mandated approach to bilateral interactions. More work is required to clarify the opportunities and requirements to go beyond current mandated approaches and/or to ensure compliance with existing provisions.

The opportunities and costs of developing a market-wide bilaterals solution would be highly dependent on the scope of activity and, the range of options to meet the market requirement and implications for all trading parties from any preferred options or options.

Given the current level of detail in the questionnaire and other communications, it remains challenging to assess whether a mandated approach to bilaterals would be beneficial at this time.

There is a risk that any mandated solution could introduce additional complexity and cost and create a management distraction away from improving wholesale services to retailer's customers.

2. Describe the level of changes that your organisation will need to make to your processes and systems to interface with your preferred option from Section 4.

In the absence of a working or strawman man solution to meet agreed market requirements/opportunities we do not consider that Section 4 provides a meaningful basis to describe the level of changes needed to be made to our processes and systems.

3. Please list out any additional benefits over and above the opportunities listed in section 3.

We do not see any additional benefits.

4. Please expand on any benefits, problem statements or opportunities that you have marked 'disagree' or 'zero benefit' and explain why.

We disagree with the following statements in Section 2: Problem statements:

- Question 1. There is inconsistent handling of forms and processes resulting in significant duplication of effort: Form handling and process requirements are already set out in the market codes which recognise that wholesalers are able to establish their own detailed terms and conditions of service. Work is needed to clarify where inconsistent handling may be due to different terms of service or other factors.
- Question 2. Processes are run manually often via email which results in inefficiencies within my organisation: Our key processes are managed by a workflow system whether or not they are triggered by a form or other retailer interaction. There are opportunities for improvement to our service delivery but there is a risk that a centralised bilateral solution will add cost and complexity to our service delivery.
- Question 3. Multiple user accounts required across different portals, which causes costly and inefficient on-boarding and training within my organisation: We have worked to ensure log in for users of our portal is quick and efficient.
- Question 4. High rejection rates from completed forms due to missing or incorrect data which results in significant duplication of effort: Our portal auto populates forms to ensure accurate and reliable data.
- Question 5. Complex staff education and training causing increased costs to my organisation: Greater clarity is needed as to whether this issue arises from differing terms of price and service or from operational interfaces.
- Question 6. Lack of adoption of the API integrations that support the Operational Terms causes greater manual work for my organisation: Thames Water has already adopted appropriate API integrations. We are exploring options to consider batch over nights uploads from retailers but note that our service levels are at risk and customers may be adversely

impacted if jobs are raised in bulk rather than immediately as issues are identified.

- Question 7. Manual reporting on the OPS terms for wholesalers causes inaccurate reporting: Thames Water's OPS results are not reported manually. It does not follow that manual reporting causes inaccurate reporting. Trading parties need to be specific about the range and type of inaccuracies to determine any appropriate response or solution.

We also disagree with some statements in Section 3: Opportunities:

- Question 1. I could have better transparency on what stage my bilateral transaction is in and I could keep my customer informed more accurately: We track the progress of all bilateral requests and update both our retailers and end customers impacted by the service delivery. Many Retailers are happy for Wholesalers to take the lead to resolve a wide range of issues.
- Question 2. My headcount for manual reconciliation could be reduced as more bilateral transactions are being accepted first time: Market forms and interfaces are already standardised to some degree and rejections are increasingly linked to broader market awareness issues rather than transactional details.
- Question 3. Data quality could be improved considerably: It is unclear how any industry bilateral approach would improve data quality and to what end.
- Question 6. Performance against SLAs could be improved due to more transparent and open reporting: Performance against SLAs are already being reported as part of the OPS measures and is available for all trading parties to view. It is therefore unclear which opportunity is suggested.
- Question 8. A significant barrier to entry and exit could be minimised through standardisation: The market Code already standardises key aspects of the operational interface. Clarification is required regarding the scope of standardisation over and above that is already specified in the Code before it is possible to assess the impact on barriers to entry for new Trading Parties. There is a risk that standardisation could create as many barriers as it addresses and/or deliver benefits for retailers at the expense of end customers.

5. Do you believe an industry solution will aid competition in the market, such as removing barriers to entry and exit? Please give a reason your answer.

Subject to the final scope and design an industry solution may aid competition in the market for example by reducing time and costs for some customer transactions. However, we believe that a mandated approach may also create additional barriers to entry if Trading Parties are forced to use more central systems and may remove the competitive advantage gained by Retailers who have already invested to interface with multiple wholesalers.

6. How do you believe an industry solution will affect customer experience / outcomes?

We are always looking to improve customer experience and an industry solution to issues impacting customer outcomes may have positive effect depending on its scope, complexity and cost.

We note that any industry solution may also cut across individual Wholesalers service improvement plans and divert resources from improving underlying services to end customers, at least in the short term.

Any effect on the customer experience or customers outcomes is very different to the impact on Retailers.

7. Is there any additional information you would like to provide at this point in the process?

No.