PR24 workshop

Workshop on the design of BR–MeX

18 August 2023

Of**w**at

Aim of the session and agenda

This is the second of Ofwat's workshops aimed at advising the development of the BR-MeX incentive for PR24. The aim of this session is:

1. To update stakeholders on the current progress of the development of the BR-MeX incentive
2. Discuss Ofwat's current thinking on how BR-MeX could incorporate elements of the reformed MPF

The agenda for today's session is set out below:

Time	Item	Location
10:30	Welcome and intro	Main room
10:35	BR-MeX: Progress update	Main room
11:00	Considering the role of MPF metrics in BR-MeX	Breakout rooms
11:30	Next steps	Main room

We will publish both the slides and a summary of the meeting on our website

BR–MeX: Progress update

An introduction to IFF Research

Founded in 1965, we are one of the UK's leading market and social research companies.

We are a full-service agency with considerable experience in undertaking research on regulatory issues with employees and businesses. We have a long track record of delivering research for a wide range of public sector organisations. Our clients include:

Our project team can be contacted via IFF_BRMeX@iffresearch.com.

Update on the B-MeX and R-MeX pilot (1 of 2)

JUL - AUG

Scoping phase

To get a firmer understanding of key questions that might cause us to adopt our approach.

This is crucial in helping us design the pilot.

AUG

Cognitive testing

50 interviews with business customers to test the B-MeX survey

10 interviews with retailers to test the R-MeX survey.

To test with a range of participant types

SEP - OCT

Pilot exercise

Up to **1,400 CATI interviews** and an online element to test the B-MeX survey.

Up to **30 interviews** to test the R-MeX survey (a census approach).

NOV - DEC

Follow-up qual

30 follow-up qualitative depth interviews.

To test refined survey questions and explore any additional issues that might arise during the pilot.

JAN - FEB

Analysis and reporting

Presentation of key results and recommendations.

Final report to be published online.

Guidance documents for shadow runs of surveys in Spring 2024.

To date we have:

- Completed the initial scoping phase of our work
- Collected data from wholesalers on direct operational contacts they have received from non-household customers over the last 3 months.
- Collected data from MOSL on non-household customer contacts that have been made indirectly via the bilateral hub
- Sent out invitations to a subset of Retailers to invite them to engage with in-depth interviews to test the R-MeX survey

Next steps:

- Commencement of the cognitive fieldwork to test customers understanding of the B-MeX survey and retailers understanding of the R-MeX survey
- Analysis of the B-MeX sample data
- Finalisation of the approach to the B-MeX and R-MeX pilot fieldwork due to commence in the autumn. The approach will draw on findings from the cognitive interviews and B-MeX sample analysis.

Future data requests to wholesalers:

- Thank you to all wholesalers that provided data for the B-MeX survey.
- As noted in the data request sent to wholesalers on 21 July 2023, we will require one additional tranche of data from wholesalers to conduct the pilot. The exact form of this data request is yet to be finalised but we will be in contact with wholesalers in due course.

Engagement with industry on the B-MeX and R-MeX pilot

As we noted in previous communications, Ofwat has established the BR-MeX working group to advise on the development of the B-MeX and R-MeX survey design and pilot period.
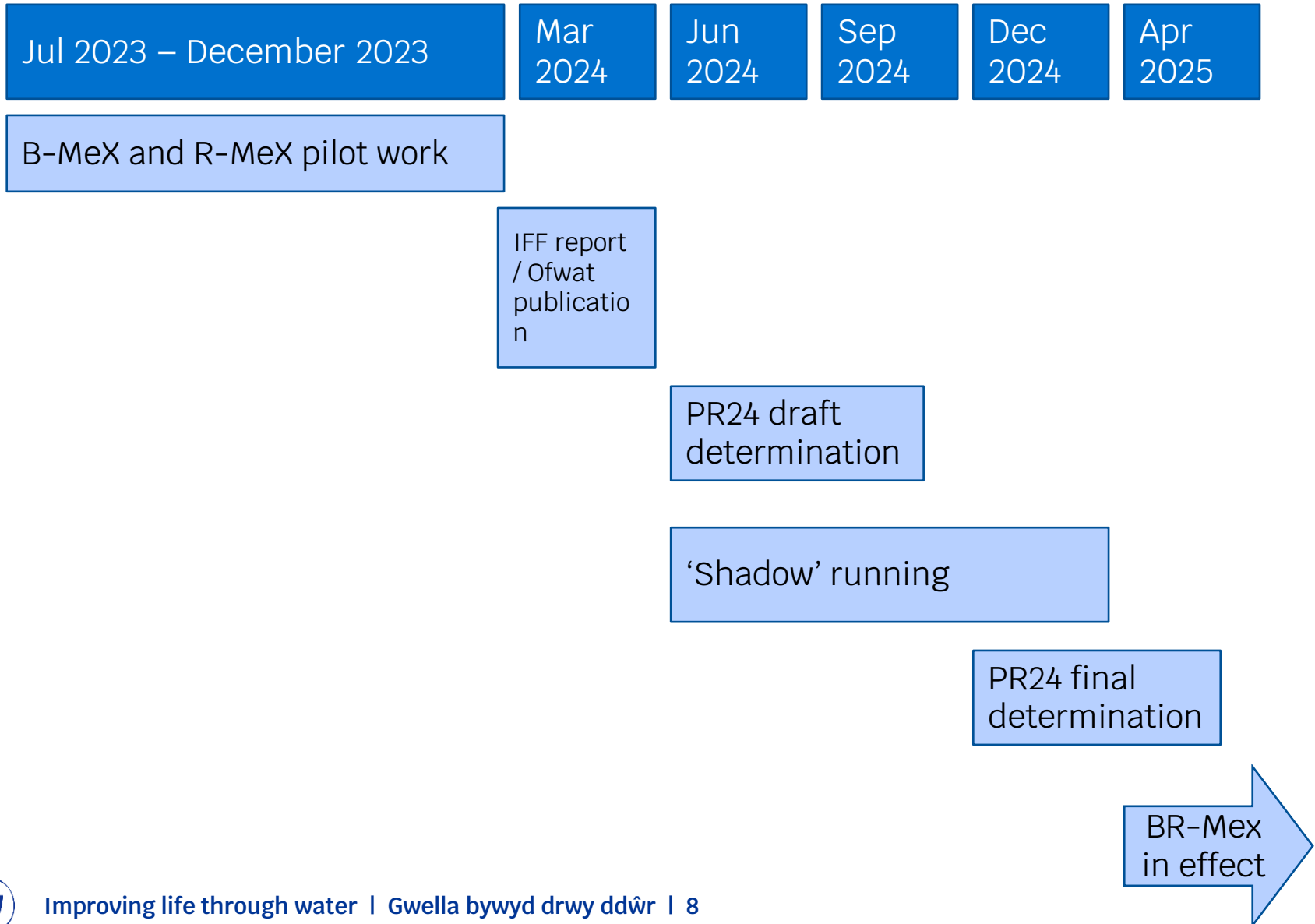
The group has met three times and has advised the scoping stage of the BR-MeX pilot. The discussions from the working group have fed into our thinking on the pilot and has highlighted challenges on both B-MeX and R-MeX that the pilot work will look to address.

The slides and notes from these meetings are available on Ofwat's website [here](#).

We will continue to engage with the BR-MeX working group as we move into the fieldwork stage of the pilot.

Reminder of the high-level BR-MeX development timeline

Jul 2023 – December 2023	Mar 2024	Jun 2024	Sep 2024	Dec 2024	Apr 2025

B-MeX and R-MeX pilot work

IFF report / Ofwat publication

PR24 draft determination

'Shadow' running

PR24 final determination

BR-Mex in effect

Considering the role of MPF metrics in BR-MeX

Considering how MPF metrics could feature in BR-MeX

Following the discussion at the April workshop, Ofwat and MOSL have been further considering how and whether a sub-set of MPF metrics could be financially incentivised via PR24 as part of BR-MeX.

We consider that incentivisation of key MPF metrics via the price control framework could potentially result in two key advantages:

1. Allowing for higher financial penalties where wholesalers are underperforming and the possibility of outperformance payments where companies produce stretching performance

2. Allowing any underperformance payments to more easily flow back to business customers that have received poor service

We do however note that the price control represents a less flexible approach than the MPF and we are mindful that the market will likely evolve over the PR24 period.

We note that at the time of the April workshop the MPF had not been specified in detail. We do however note that stakeholders throughout the discussion expressed broad support, in principle, of the inclusion of a sub-set of MPF metrics within BR-MeX.
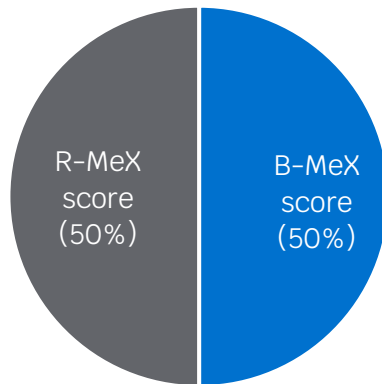
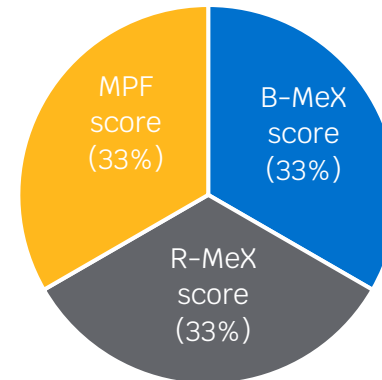# How could we incorporate MPF metrics into BR-MeX

MPF metrics could be incorporated into the BR-MeX incentive in a similar manner to the quantitative metrics that form part of the D-MeX incentive. The D-MeX metrics take the form of performance against a number of SLA's measured out of 100%. The score is then combined with the developer satisfaction score (equivalent to B-MeX for developers) using a weighting system.

The below sets out how this could work for BR-MeX

Example Option 1: BR-MeX score based on B-MeX and R-MeX survey

R-MeX score (50%)

B-MeX score (50%)

Example Option 2: BR-MeX score including MPF score

MPF score (33%)

B-MeX score (33%)

R-MeX score (33%)

Under the scenario that Ofwat do include MPF metrics within the final BR-MeX incentive specification, it is envisaged that:

- MOSL would continue to retain ownership of these metrics and report on wholesaler performance
- Performance on the metrics would contribute to the wholesaler's BR-MeX score and the financial incentives would flow through the price control architecture.
- There would be no duplicated financial incentive, for example via a fine under the MPF framework

Today's discussion

Ahead of the third consultation on the MPF, MOSL have published pre-read documents setting out a proposed shortlist of activities and metrics that will form the initial focus of the new MPF.

Ahead of MOSL's third MPF consultation Ofwat would like to explore with industry which of the emerging key performance indicators may be most appropriate for inclusion within the final BR–MeX design.

Our thinking to date has been guided by the following principles:

Metrics should relate to end-customer service

Metrics should be sufficiently within wholesaler control

Metrics should be accurate verifiable

Proposed activities and metrics for further consideration

Ofwat are currently considering whether KPIs in three key areas may be appropriate for inclusion within BR-MeX. The below is taken from MOSL's recent MPF reform consultation 3 pre-read materials available here.

MOSL activity reference

A.9 Wholesalers should resolve customer service requests in a timely manner	A.6 Wholesalers should maintain asset and premises data	A.7 Wholesalers should maintain working and readable assets (i.e. meters)

The following draft metrics have been proposed by MOSL as the primary measures of performance in each of the above activity areas.

MOSL key performance indicators

1. Percentage of bilateral tasks completed on time 2. Lateness of overdue tasks 3. Average length of deferrals per ORID 4. Proportion of deferred ORIDs	1. Premise address data accuracy and coverage* *This metric will be implemented as a KPI once a measure of data accuracy has been established through MOSL's data cleanse programme	1. Lateness of overdue tasks 2. Number of LUMs with an outstanding B5 or C1 request 3. Average length of deferrals per ORID 4. Percentage of bilateral tasks completed on time 5. Proportion of deferred ORIDs

Considering the role of MPF metrics in BR-MeX

Role of MPF metrics in BR-MeX

1. Do you agree there is merit in including a subset of metrics in the BR-MeX incentive

2. Do you agree that the activities and KPIs set out on slide 13 represent the 'right type' of metrics for inclusion within BR-MeX?

3. Are there other metrics within the reformed MPF that Ofwat should consider as part of BR-MeX?

Next steps

Next steps

Thank you for your attendance at today's BR-MeX workshop. We will incorporate stakeholders thinking into our ongoing policy development.

In terms of next steps:

- We will continue with work on the B-MeX and R-MeX pilot, with cognitive interviews due to commence in August 2023. We are planning further engagement with the BR-MeX working group as we look to finalise the methodology for the main stage pilot fieldwork.

- MOSL are aiming to publish the third consultation on the MPF in September 2023 which will aim to agree the reformed MPF model and consider the shortlist of activities and metrics

- We will incorporate stakeholder feedback into our thinking on how MPF metrics could play a role in BR-MeX, working with MOSL as they progress the MPF reform programme.

- We will engage further with the industry via a workshop format in due course.