PR24 workshop

Workshop on the design of BR-MeX

Thursday 14th December 2023

Of w at

Aim of the session and agenda

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

1. Initial findings on the pilot working and discussing the quality of the sample data and data requirements.
2. Current progress of the development of the BR-MeX incentive, including on how the MPF and BR-MeX incentive could complement each other.

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

Time	Item	Location	
10:30	Welcome and intro	Main room	Shaun Kent
10:35	Initial findings on the pilot working	Main room	IFF
11:00	• Discussion on initial findings	Main room	All
11:15	Considering the role of MPF metrics in BR-MeX	Main room	Shaun Kent
11:25	• Discussion on MPF metrics in BR-MeX	Breakout rooms	All
11:40	Feedback to the main room	Main room	Shaun Kent / all
11:50	Next steps	Main room	Mirena Hadzhigenov

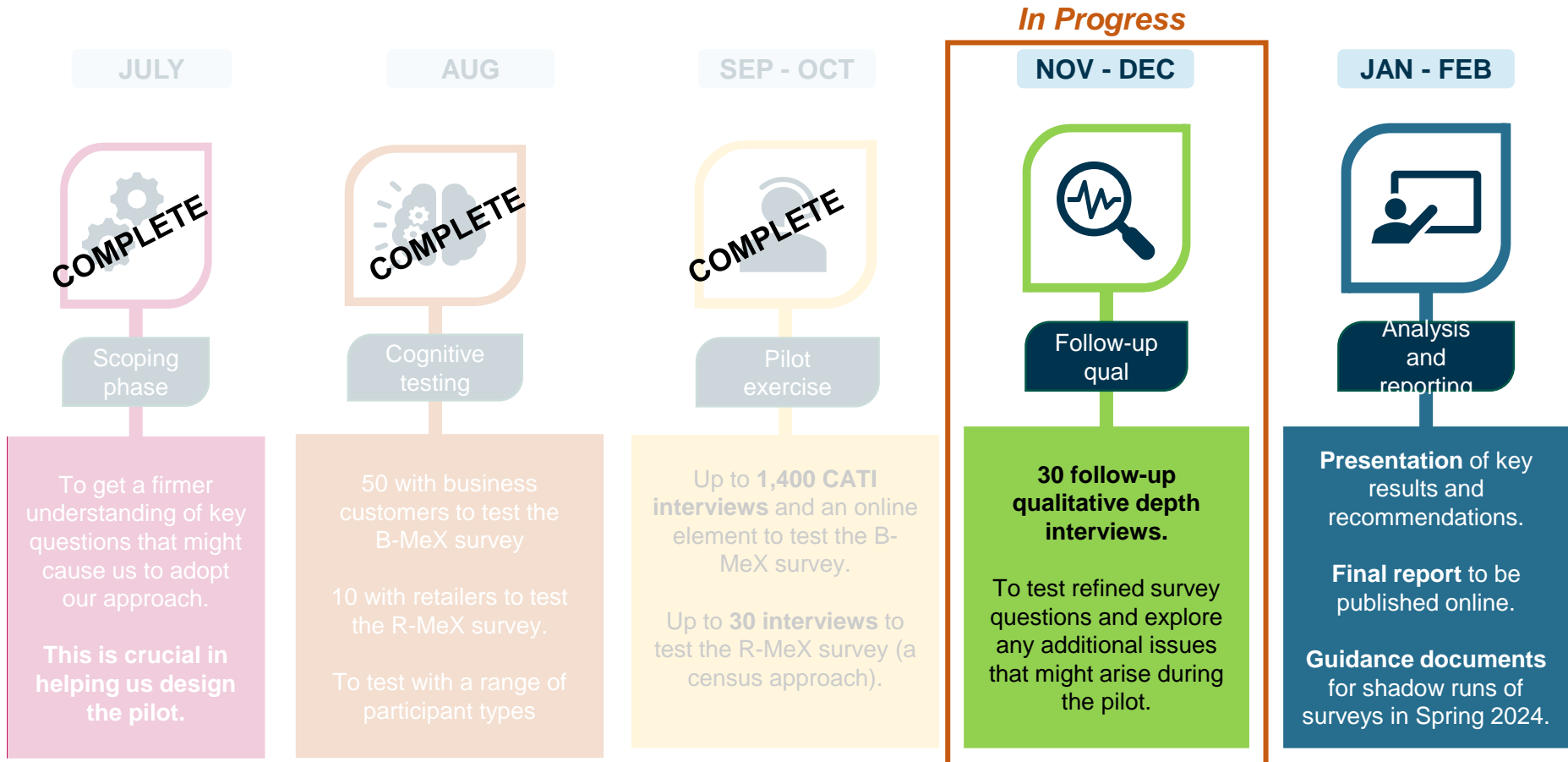We will publish both the slides and a summary of the meeting on our website.

Initial findings on the BR-Mex pilot working

IFF Research: Update on BR-MeX Pilot

Introduction

Approach summary

In Progress

JULY	AUG	SEP - OCT	NOV - DEC	JAN - FEB
COMPLETE	COMPLETE	COMPLETE		
Scoping phase	Cognitive testing	Pilot exercise	Follow-up qual	Analysis and reporting
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.**	50 with business customers to test the B-MeX survey 10 with retailers to test the R-MeX survey. To test with a range of participant types	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).	**30 follow-up qualitative depth interviews.** To test refined survey questions and explore any additional issues that might arise during the pilot.	**Presentation** of key results and recommendations. **Final report** to be published online. **Guidance documents** for shadow runs of surveys in Spring 2024.

www.iffresearch.com

IFF Research

B-MeX Pilot: Current analysis progress

- B-MeX Pilot fieldwork finished on Friday 8th December, slightly over target with **1,408 completes**

- We are currently **cleaning and processing** the raw data

- We have begun drafting an **interim findings report** – this will include analysis of **sample quality and response rates** for the B-MeX Pilot, and early analysis of the pilot survey results, however this **work is ongoing** at this point

- In these slides we present some data on sample quality and preliminary response rates – however please note we do not yet have full data on response rates available, therefore these figures will be updated once all participant data has been processed

www.iffresearch.com

IFF Research

B-MeX Pilot: early findings – sample volumes

	Direct Sample	Indirect sample	Total sample	% of overall sample
Affinity Water	258	58	316	1.70%
Anglian Water	1633	296	1,929	10.39%
Northumbrian Water	794	123	917	4.94%
Portsmouth Water	83	9	92	0.50%
SES Water	90	21	111	0.60%
Severn Trent Water	6,252	788	7,040	37.92%
South East Water	548	129	677	3.65%
South Staffordshire Water	144	83	227	1.22%
South West Water[1]	924	245	1,157	6.30%
Southern Water	826	96	922	4.97%
Thames Water	905	422	1,327	7.15%
United Utilities	958	325	1,283	6.91%
Wessex Water	898	40	928	5.00%
Yorkshire Water	1,512	113	1,625	8.75%
Total	15,825	2,738	18,563	100.00%

[1] South West Water and Bristol Water are reported together.

www.iffresearch.com

IFF Research

B-MeX Pilot: early findings – sample cleaning

After sample was received, IFF undertook a manual process in which all wholesaler data was collated and cleaned to remove unusable sample. This included:

- Records with no telephone number **(4,692)**

- Records for wholesalers that were not in scope of the research **(1)**

- Records where the date was not in scope of pilot fieldwork **(1,540)**

- Duplicate records (i.e. where a business had contacted their wholesaler more than once within the eligible fieldwork period) **(2,488)**

- Records to be excluded under Section 1.3 of Ofwat's Request for Information for Pilot Data **(216)**

www.iffresearch.com

IFF Research

B-MeX Pilot: early findings – sample cleaning

	Starting sample	Exclusions					
		No tel. no.	Date not in scope	Duplicates	Exclusions under RFI	Total exclusions	% excluded
Affinity Water	316	33	24	41	1	99	31%
Anglian Water	1,929	1,119	171	168	-	1,458	76%
Northumbrian Water	917	301	55	15	99	470	51%
Portsmouth Water	92	10	3	8	35	56	61%
SES Water	111	45	4	4	10	63	57%
Severn Trent Water	7,040	1,981	569	1,023	5	3,578	51%
South East Water	677	7	76	27	-	110	16%
South Staffordshire Water	227	142	40	2	-	184	81%
South West Water[1]	1,157	195	113	233	-	541	47%
Southern Water	922	70	44	83	-	197	21%
Thames Water	1,327	304	285	148	-	737	56%
United Utilities	1,283	127	92	209	-	428	33%
Wessex Water	928	228	15	81	66	390	42%
Yorkshire Water	1,625	130	49	446	-	625	38%
Total	**18,563**	**4,692**	**1,540**	**2,488**	**216**	**8,936**	**48%**

www.iffresearch.com

OFFICIAL

IFF Research

B-MeX Pilot: early findings – usable sample

	Direct Sample	Indirect sample	Total sample	% of overall sample
Affinity Water	187	30	**217**	2.25%
Anglian Water	407	64	**471**	4.89%
Northumbrian Water	381	66	**447**	4.64%
Portsmouth Water	30	6	**36**	0.37%
SES Water	31	17	**48**	0.50%
Severn Trent Water	3,266	196	**3,462**	35.96%
South East Water	528	39	**567**	5.89%
South Staffordshire Water	2	41	**43**	0.45%
South West Water	510	118	**628**	6.52%
Southern Water	675	50	**725**	7.53%
Thames Water	460	130	**590**	6.13%
United Utilities	652	203	**855**	8.88%
Wessex Water	535	3	**538**	5.59%
Yorkshire Water	945	55	**1,000**	10.39%
Total	**8,609**	**1,018**	**9,627**	**100.00%**

www.iffresearch.com

OFFICIAL

IFF Research

B-MeX Pilot: early findings – sample quality

During the sampling process, records that could be considered as 'poor' were flagged. These were classed as records that both had an **unclear reason for contact**, and either **no named contact or company name** on the sample.

	Poor records	% of wholesaler sample
Affinity Water	98	45.16%
Anglian Water	-	-
Northumbrian Water	43	9.62%
Portsmouth Water	2	5.56%
SES Water	-	-
Severn Trent Water	2,731	78.89%
South East Water	257	45.33%
South Staffordshire Water	-	-
South West Water	176	28.03%
Southern Water	7	0.97%
Thames Water	328	55.59%
United Utilities	-	-
Wessex Water	3	0.56%
Yorkshire Water	-	-
Total	**3,645**	**37.86%**

www.iffresearch.com

IFF Research

Response rates: survey outcomes overall and by sample quality

These preliminary figures show the most common outcomes for records where contact was made, i.e. the survey reached at least the first screener question (excluding dead numbers, wrong numbers, no answer etc.)

	All records	Poor quality records	Better quality records
Completed interview	32%	20%	38%
Refusal (other reason)	17%	17%	17%
Definite appointment	11%	9%	11%
Refusal – not a business	10%	21%	5%
Refusal – no recollection of contact	10%	10%	10%
Refusal – unspecified reason	8%	8%	8%
Ineligible – contact not related to supply as business customer	7%	11%	5%
Nobody at site able to answer questions	4%	3%	5%

www.iffresearch.com

IFF Research

Follow-up qualitative interviews (in progress)

- A final test of the refined survey questions to ensure they are an improvement on those originally used

- explore issues that arose during the pilot (e.g., discrepancies between information in the sample and from the survey, potentially inconsistent feedback).

- Sample includes a mix by service type, whether issue was resolved, levels of satisfaction, and sample type (direct / indirect)

The qualitative interviewing will be conducted by the project team and our specialist qualitative interviewers

www.iffresearch.com

IFF Research

Considering the role of MPF metrics in BR-MeX

MPF metrics and BR-MeX

Recaps and updates following our April and August workshops concerning the question of whether/how a sub set of MPF metrics could or should be financially incentivised via PR24 as part of BR-MeX:

Pros and cons of bringing some MPF metrics under PR24 / BR-MeX umbrella

- Allow higher financial penalties where wholesalers are underperforming and the possibility of outperformance payments where companies produce stretching performance
- Allow easier return to business customers - if received poor service - of underperformance payments

- PR24 price control less flexible approach and likely little scope for within control adjustment or change
- Risk of double jeopardy

Process
- MPF process now more advanced – consultation 3 has specified a set of activities and metrics. Comments invited on BR-MeX too.
- MOSL now pursuing further work on final form of and parameters for MPF metrics
- Work scheduled to continue into 2024

Further details
- MOSL continue to retain ownership of 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 financial penalty under the MPF framework

Broad support for using some MPF metrics in BR-MeX

Stakeholder responses to the MOSL consultation 3 on MPF were also broadly supportive.

Some of the MPF activities and metrics could be candidates for BR-MeX ...any thoughts? (Q38)

- **BR-MeX could include MPF elements** : 10
  - ❑ "There are certainly some activities that would fit in a BR-MeX framework however we suggest that where there is duplication, an activity and/or tool should only be included in one" (South West Water)

- **BR-MeX should include MPF elements** : 4
  - ❑ "We strongly believe it would be preferrable to have MPF built in as it will give the full story of performance." (SES Water)

- **BR-MeX should not include MPF elements** : 6
  - ❑ "We therefore believe that while the MPF and BR-MEX are both intended to incentivise improved performance, the differences between the two may warrant them remaining separate, which would also avoid any uncertainty and lack of clarity for wholesalers if the two were interfaced." (CCW)

- **Unsure:** 3
  - ❑ "We see this area as a potential for BR-MeX but there is a dependency for Wholesalers in terms of keeping customers informed that Retailers provide the required contact data." (Wessex Water)

- **No comment or Not Answered:** 4
  One respondent left their response blank. The other three indicated they had no comments or could not comment without more information.

MOSL

Pie chart values: 10, 4, 6, 3, 4
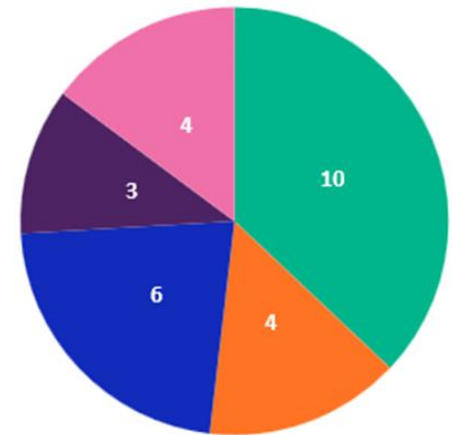
- ■ BR-MeX could include MPF elements
- ■ BR-MeX should include MPF elements
- ■ BR-MeX should not include MPF elements
- ■ Unsure
- ■ No comment or Not Answered

34

Note reasoning of those stakeholders opposing or not supporting inclusion of MPF metrics within BR-MeX frequently linked to need to better understand how this would work.

Further thinking

Where we are today:

- In principle – and noting the pros and cons as above – there is merit in incorporating one or more MPF metrics under BR-MeX

- The MPF reform programme have delivered a set of activities and possible candidate metrics

- Two areas for consideration:

  - Guiding principles for selecting any MPF metrics

  - Candidate list of MPF metrics

- Ofwat PR24 process currently under way – no decisions yet

- Helpful today to get industry feedback

Candidate metrics

Ofwat are currently considering whether KPIs in these areas may be appropriate for inclusion within BR-MeX. The below follows MOSL's MPF reform consultation 3 pre-read materials ([here]).

MOSL activity reference	A.6 Wholesalers should maintain asset and premises data	A.7 Wholesalers should maintain working and readable assets (ie. meters)	A.9 Wholesalers should resolve customer service requests in a timely manner	A.3 Ensure occupancy classification is accurate (both Retailer & Wholesaler)
MOSL key performance indicators	M12 Proportion of premises address data accuracy M20 *Proportion of consumption from cyclic non-market meter reads performed within the biannual or monthly SLA* M19 *Cyclic non-market meter reads performed within SLA (biannual or monthly)* M21 *Lateness of overdue cyclic non-market meter reads* M14 *Proportion of meters with credible GIS coordinates*	M15 Average lateness of failed SLAs for bilateral requests M10 № Long Unread Meters (LUMs) with outstanding B5 or C1 bilateral request M17 Average length of deferrals per ORID M18 Proportion of SLAs for bilateral requests completed on time M16 Proportion of Deferred ORIDs	M15 Average lateness of failed SLAs for bilateral requests M17 Average length of deferrals per ORID M18 Proportion of SLAs for bilateral Requests completed on time M16 Proportion of deferred ORIDs	M13 Proportion of unassured long-term vacant (LTV) premises **A.8 Assets (incl. Smart Meters) to drive water efficiency (Wholesalers)** M02 Proportion of Smart meters read M08 Proportion of consumption settled on actuals vs estimates for smart meters

See annex for re-ordered list of these 13 metrics

Objectives and criteria for assessing suitability of MPF activities and metrics for possible inclusion within BR-MeX

We have the following key considerations in mind for BR-MeX:
- Wholesalers need a stronger focus on understanding the needs and requirements of business customers – the quality of wholesale services can materially affect the business customer experience
- We will consider whether key measures of wholesaler performance in the business retail market (eg. one or more key metrics on data quality arising from the MPF reform programme) should complement B-MeX and R-MeX

With the above in mind, we would suggest that choice and use of any MPF metrics or KPIs within BR-MeX should be guided by the following draft principles:

DRAFT Principle – Metrics should:	DRAFT Description – the metric or KPI should:
Relate to end-customer service	capture something meaningful and significant about the effect on the end customer experience.
Say something meaningful about wholesaler performance	allow something meaningful to be said about a wholesaler's (relative) performance so as to enable a meaningful out- or under-performance payment
Be sufficiently within wholesaler control	be largely (but not necessarily entirely) within the control of the wholesaler. This could include that the metric is provided sufficiently frequently and within a sufficiently short period of time so a wholesaler can understand and rectify their performance, if need be
not be reproduced elsewhere as 'double jeopardy'	not be subject to financial penalties (including any compensatory payments) elsewhere, including within the MPF
be accurate and verifiable	be clearly measurable, capably of being accurate and verifiable, and within a framework of challenge
be consistent with relevant rectification / assurance process	be framed within a process that enables challenge, assurance and rectification, within the MPF process or the BR-MeX process, or a suitable dovetailing of the two.
be 'future proof'	as much as possible be unlikely to change over the next AMP, including in terms of definition and retention within the MPF
not be 'game-able'	as far as possible not be subject to 'gaming' or manipulation by a wholesaler.

MPF timetable

Breakout room discussion
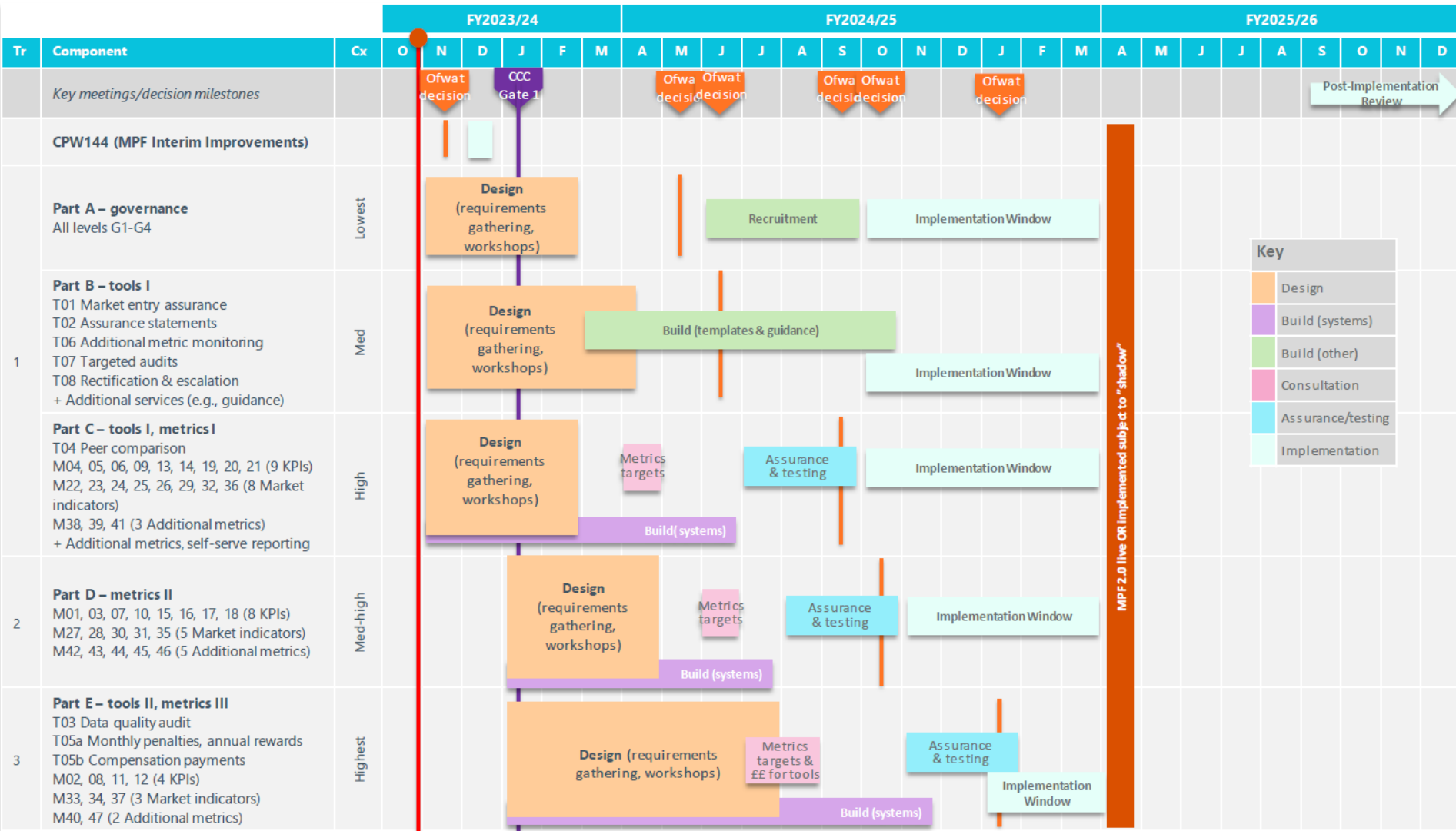
Considering the role of MPF metrics in BR-MeX

1. Please share your reflections regarding the draft principles for assessing suitability of MPF activities and metrics for possible inclusion within BR-MeX (see slide 20)?

2. (If time) Do you have any immediate reactions or observations concerning the candidate list of MPF metrics and/or whether one or more would be particularly suitable for inclusion within BR-MeX (see slide 19)?

Next steps on MPF metrics

December 2023 – January 2024

Time to consider further as presented here:
- List of candidate metrics
- Set of principles
- Consideration of metrics against principles

Any views on preferred metrics for inclusion under MPF?

February 2024

BR–MeX Working group

February / March 2024

Develop Ofwat thinking, in collaboration / joint step with MPF programme

Spring 2024

Ofwat Draft determinations

Next steps

Reminder of the high-level BR-MeX development timeline

Jul 2023 – December 2023	by Mar 2024	by 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
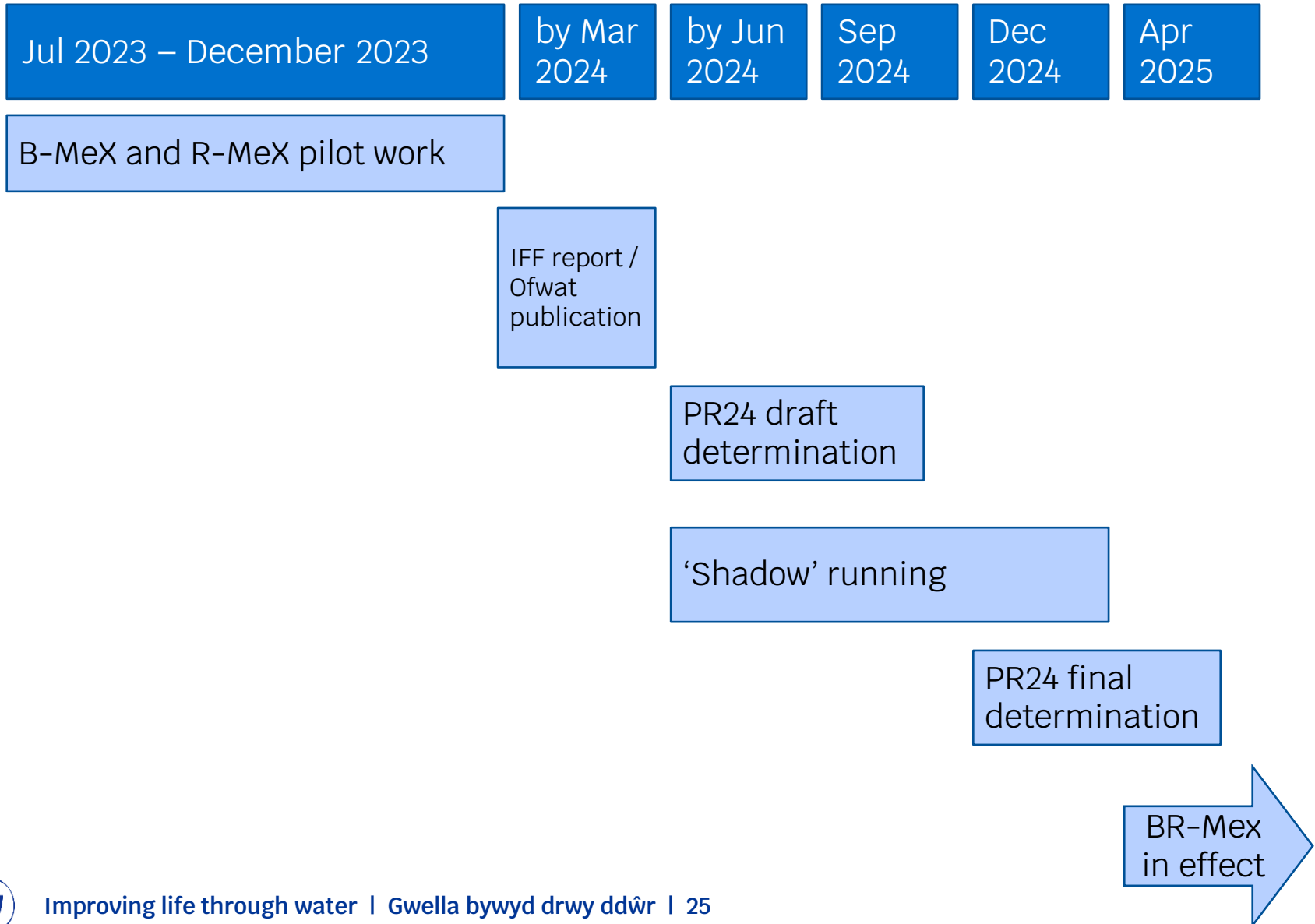
Next steps

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:

- By January 2024: the B-MeX and R-MeX follow up qualitative stage to test refined survey questions and explore additional issues that may have arisen during the pilot fieldwork.

- In February, we are planning further engagement with the BR-MeX working group to further discuss and understand views regarding the set of candidate MPF metrics that may be appropriate for inclusion within BR-MeX, and the principles for assessing these.

- In Feb / Mar 2024, we will publish the B-MeX and R-MeX pilot reports, accompanied by guidance documents for the shadow period.

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

Annex

Annex – List of 13 candidate MPF metrics for BR-MeX?

		Metric name	Metric description
A3	M13	Proportion of unassured long-term vacant (LTV) premises	Unassured long-term vacant premises as a proportion of all long-term vacant premises.
A6	M12	Proportion of premises address data accuracy	The proportion of a Wholesaler's portfolio of SPIDs where key data (supply addresses, Unique Property Reference Number [UPRN] and Valuation Office Assessment [VOA]) is complete and accurate as proportion of that Wholesalers' total portfolio of SPIDs. This metric can only be framed as a KPI once a measure of data accuracy has been established through the market data cleanse programme. Until then it will be reported as a market metric. We aim to allow the data to be further segmented by proportion of SPIDs, SPIDs [X] months old or less (i.e. focus on new connections) and SPIDs more than [X] months. This metric is also used for activities A3 and A5
A6	M14	Proportion of meters with credible GIS coordinates	The number of meters with credible GIS coordinates as a proportion of all meters managed by the Wholesaler. GIS coordinates where there are potential data issues, meaning they could be inaccurate/erroneous, would be identified using defined criteria, inc GIS X/Y coor-dinates being far from the postcode centre, being at the UPRN centre, over 20 meters with the same coordinates etc.
A6	M19	Cyclic non-market meter reads performed within SLA (biannual or monthly)	Proportion of non-market meters which, at the measurement date, remain within the SLA period since the last cyclic meter read. We aim to allow the data to be further segmented by number of meters, proportion of meters, biannual, monthly, occupied, vacant, internal, and external meters.
A6	M20	Proportion of consumption from cyclic non-market meter reads performed within the biannual or monthly Service Level Agreement (SLA)	Consumption of non-market meters which, at the measurement date, remain within the SLA period since the last cyclic meter read. We aim to allow the data to be further segmented by number of meters, proportion of meters, biannual, monthly, occupied, vacant, internal, and external meters.
A6	M21	Lateness of overdue cyclic non-market meter reads	The number of Business Days that the meter was late for a cyclic meter read. We aim to allow the data to be further segmented by number of meters, proportion of meters, biannual, monthly, occupied, vacant, internal, and external meters.
A7	M10	Number of Long Unread Meters (LUMs) with an outstanding B5 or C1 bilateral transaction request	Number of all LUMs, including Legacy Long Unread Meters (LLUMs), where there is an outstanding/in flight C1 (supply point verification) or B5 (meter repair/replace) bilateral Request in the Bilateral Hub on that meter.
A8	M02	Proportion of smart meters read	Proportion of smart meters that had the appropriate number of reads. The development of this KPI will need to consider code changes to confirm and clarify the underlying code obligations around responsibilities, definitions and processes for smart meters and meter reads. This would inform the 'appropriate number of reads' which will be defined as part of the design of this metric.
A8	M08	Proportion of consumption settled on actuals vs estimates for smart meters	Tracks the proportion of consumption settled on actual vs estimated reads for smart meters at each settlement run (R1, R2, R3 and RF). The development of this KPI will need to consider code changes to confirm and clarify the underlying code obligations around responsibilities, definitions and processes for smart meters and meter reads.
A9	M15	Average lateness of failed SLAs for bilateral Requests	Number of Business Days beyond the Bilateral Hub SLA where the SLA's completion conditions have not been met by the Wholesaler, averaged across all SLAs. We aim to allow the data to be further segmented by C1 Requests, B5 Requests and all other Requests combined and by LLUMs. This metric is also used for activity A7.
A9	M16	Proportion of deferred ORIDs	Proportion of ORIDs that have been deferred as a percentage of total ORIDs raised (in current month and across a rolling 12 months). We aim to allow the data to be further segmented by C1 Requests, B5 Requests and all other Requests combined. This metric is also used for activity A7.
A9	M17	Average length of deferrals per ORID	The average lengths of deferrals on ORIDs in the Bilateral Hub. We aim to allow the data to be further segmented by C1 Requests, B5 Requests and all other Requests combined. This metric is also used for activity A7.
A9	M18	Proportion of SLAs for bilateral Requests completed on time	The proportion of Bilateral Hub SLAs that have been completed by the Wholesaler within prescribed SLA periods. We aim to allow the data to be further segmented by C1 Requests, B5 Requests and all other Requests combined. This metric is also used for activity A7.