

CentralMarketAgency

At the heart of Scotland's Water Market



Business Review 2013-2014

“The business has matured into a stable and reliable component of the competitive arrangements in Scotland.”

Brian Saunders, Chairman



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About the CMA

The 2005 Water Services etc. (Scotland) Act made provision for retail competition in the Scottish water industry. Three years later, in 2008 the new arrangements came into force, and, for the first time, business customers were able to choose their supplier of water and wastewater services. The CMA is an independent organisation set up under the new arrangements to administer the Market. The CMA is a company limited by guarantee (CLG), whose members are the Participants in the Market, both Licensed Providers and Scottish Water. The CMA is funded by the Market and provides its services to all Participants.

The core activities of the CMA are registration

and settlement. Registration is the process whereby the CMA maintains a record of which customers are supplied by which Licensed Provider. Settlement is the process of calculating the wholesale charges attributable to each Licensed Provider on the basis of the customers that are registered to them.

In carrying out registration and settlement, the CMA acts as a hub for the exchange of data between Participants. The CMA maintains and operates the Central Systems, a database and application that allows Participants to communicate with each other through electronic transactions, and provides safe storage for all Market data.

Chairman's statement



During 2013-14 the CMA again met the highest standards of performance in delivering its services to the Market. The business has matured into a stable and reliable component of the competitive arrangements in Scotland.

The success of the CMA in no small part reflects the efforts of the Board and its committees. I am happy that we have established a governance framework that encourages the effective management of risk and provides considered development of strategy. I am thankful for the continued support and enthusiasm of my fellow Board members.

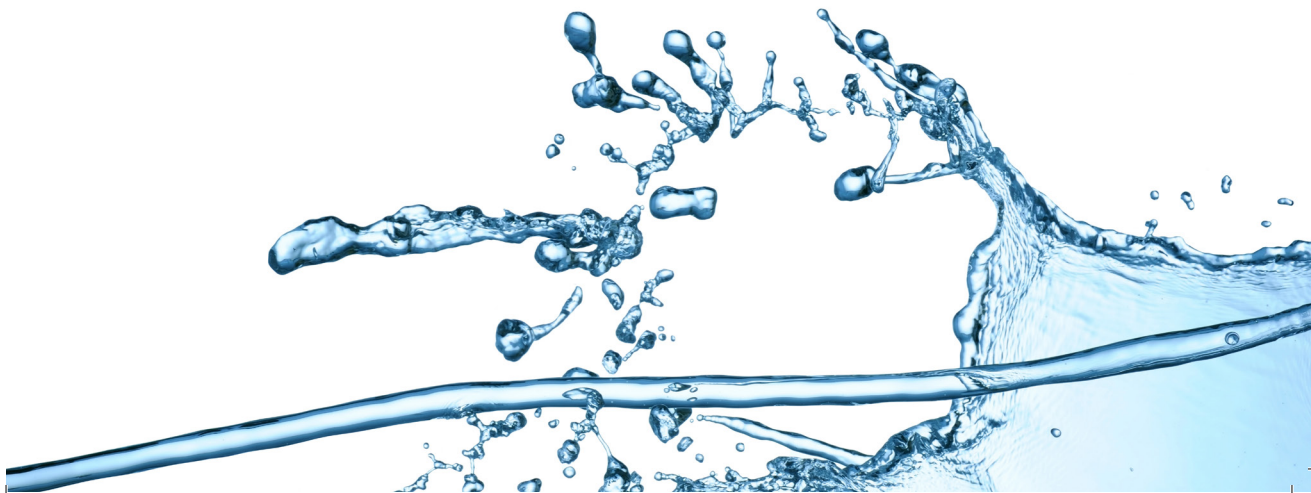
During 2013-14 there was increased participation and activity in the Market in Scotland. The Technical Panel has become a busier forum

with the new entrants present, and outside interest in the workings of the Scottish arrangements has increased. I expect these trends to continue through 2014-15 and I am confident that the CMA will meet the challenges that they present.

Brian Saunders
Chairman, June 2014

The CMA Board

Brian Saunders *Chairman*
Jeremy Atkinson *Chief Executive*
Fred Hallsworth *Chairman, Audit Committee*
Brian Wilson *Chairman, Appointments Committee*
Chris Banks (until January 2014)
Alan P. Scott (from January 2014)
Michael Samorzewski
Kevin Ensell



Chief Executive's Review



During our sixth year of operation the CMA has continued to be busy, with a focus on meeting the needs of an increasing number of Market Participants. During 2013-14 there were four new

entrants to the Market, taking the total number of Licensed Providers in the year to twelve. All brought fresh ideas and enthusiasm to the Technical Panel, the Market Participant Forum, and various industry working groups.

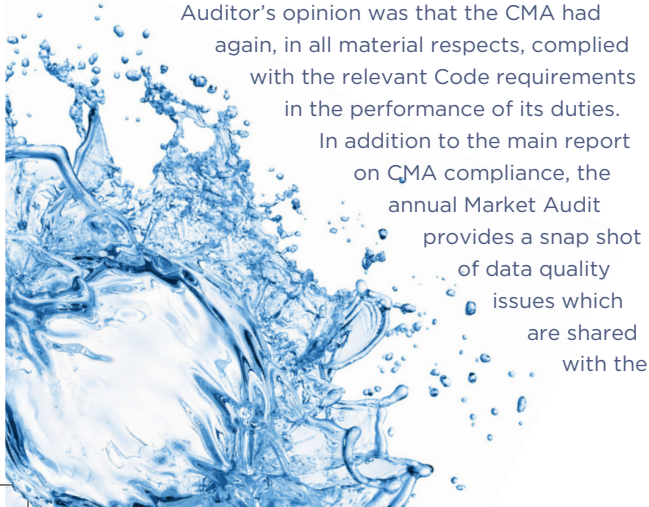
In 2013-14 Deloitte carried out a fifth Market Audit at the request of the CMA Board. The Board continues to take the view that an annual independent audit of compliance provides a useful discipline for the business and valuable assurance for Participants using the Central Systems and associated processes. The Market Auditor's opinion was that the CMA had again, in all material respects, complied with the relevant Code requirements in the performance of its duties.

In addition to the main report on CMA compliance, the annual Market Audit provides a snap shot of data quality issues which are shared with the

Market Participants responsible for their correction. The 2013-14 report noted that there had been some improvements in data quality since Market opening, but that significant issues remain. Through the Audit Committee, the Board has monitored progress and provided practical support for Market Participants addressing the issues raised.

In 2012-13 the Board took the decision that, as well as monitoring and encouraging Participant efforts, the CMA should become pro-active in delivering data quality improvements, and the Scottish Assessor Association (SAA) project was initiated. The SAA project, which matches Market data to an external source, has produced impressive results during 2013-14 and these are being published to Market Participants through a newly developed web-portal. The project will continue into 2015 and will provide the basis for Market Participants to make significant improvements in the quality of their data. I am pleased to report that the CMA has developed an industry-leading methodology and gained an invaluable expertise in delivering this type of data cleansing project.

The CMA has always recognised the importance of delivering a good quality service to market Participants in addition to ensuring compliance with our Code obligations. In 2012-13 the



Board received the results of a survey of all Central Systems users and their managers, which focused on the ease of use of the 'LVI' interface with the Central Systems. A high level of satisfaction with the LVI was reported, and some interesting ideas were put forward for further improvement. The survey became a launch pad for an overhaul of the LVI and a business focus on improving overall customer service. The first phase of the overhaul was delivered by the September 2013 Release, which provided users with access to an array of Market reports and data. The second phase will be delivered during the current period.

During 2013-14 south of the border the Open

Water Programme (OWP) worked to define the arrangements for a competitive water market in England. The CMA has been happy to share with OWP its experience of administering a water Market in Scotland. The CMA will continue to offer its support where it can.

I am pleased that we have built on the achievements of 2012-13, and in 2013-14 taken actions to improve the functioning of the Market and provide a better experience for our Members. I expect the themes that have been prominent in 2013-14 to continue through the current period.

Jeremy Atkinson

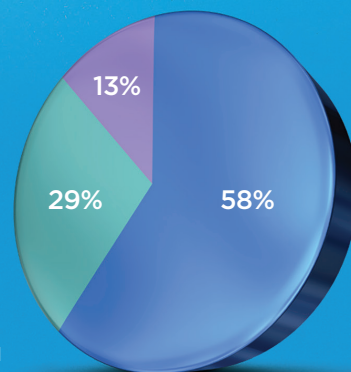
Chief Executive, July 2014

Operational & financial highlights

Enquiries handled	142
Transactions processed	2,214,203
Changes processed through the Technical Panel	11
Settlement runs delivered	49
System availability	99.9%

CMA COSTS

- CENTRAL SYSTEMS & TECHNICAL SUPPORT
- OFFICE & ADMINISTRATION
- STAFF COSTS



“We have taken actions to improve the functioning of the Market and provide a better experience for our Members.”

Jeremy Atkinson, Chief Executive



CentralMarketAgency

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