

A dynamic, high-speed photograph of water splashing against a clear blue background. The water forms intricate, crystalline shapes with many small droplets and bubbles, creating a sense of movement and freshness. The lighting highlights the textures and reflections on the water's surface.

Business **REVIEW**  
2017-2018

**10** years

at the heart of Scotland's Water Market

**CentralMarketAgency**



A dynamic splash of clear blue water against a light blue background, with numerous bubbles of varying sizes scattered throughout. The water is captured in mid-air, creating a sense of movement and freshness.

## Contents

About the CMA	04
Chairman's Statement	05
Chief Executive's Review	06
Operational & Financial Highlights	07

10 years at the heart of Scotland's Water Market



## The CMA Board 2017/18

David Sigsworth OBE **Chairman**

Jeremy Atkinson **Chief Executive**

Fred Hallsworth **Chairman, Audit Committee**

Brian Wilson **Chairman, Appointments Committee**

Alan P. Scott

Mike Brindle

Tony March

## About the CMA

In March 2005 the Scottish Government passed the Water Services etc. (Scotland) Act, which allowed for competition in the water industry in Scotland. The new arrangements came into effect on the 1<sup>st</sup> of April 2008, when the retail market for water services went live; for the first time anywhere in the world, business customers could choose their supplier for water services. While Scottish Water retained responsibility for the physical supply of water and the removal of wastewater, the suppliers, referred to as Licensed Providers, took on responsibility for meter reading, billing and customer care.

The CMA was established as part of the new arrangements under the auspices of The Water Services (Codes and Services) Directions 2007. Its role as Market Administrator is defined by various rights and obligations which are set out in the Market Code. The key responsibilities of the CMA include:

- *To operate the systems and processes that deliver registration and settlement, where registration is the record of which supplier serves which business customer,*

*and settlement is the calculation of wholesale charges owed by the supplier to Scottish Water;*

- *To administer market entry and exit; and*
- *To provide market training and assurance for all market participants.*

To carry out its functions, the CMA operates and maintains a bespoke IT system, known as the Central Systems, which holds a definitive set of data for the market and allows participants in the market to interact with one another.

The CMA was established as a company limited by guarantee, who's members are the participants in the market. It is a not for profit organisation and its activities are funded by its members. The company is controlled by a Board of Directors which includes two nominees from the Licensed Providers and one nominee from Scottish Water. Members determine the direction of the market and approve changes to the Central Systems through their participation in the Technical Panel.

# Chairman's Statement



2017-18 was my first year at CMA as chairman. It was reassuring to find a business that is operating confidently and effectively to deliver its services to the market. I have been grateful for the support of the

Board and the Technical Panel as I settle in to this role.

My immediate priority on arriving at the CMA was to understand the views of the participants, particularly how they want the business to function and the market to develop. The feedback that I have received about the CMA has been positive, and I have noted the desire of Licensed Providers to have a consistent influence on market policy. My observation from chairing the Technical Panel is that there is wealth of knowledge and experience which can be harnessed to achieve this.

During the year I have also been encouraging the Board to think about the future of the Scottish market. I would like to develop an understanding and a strategy that addresses how the Scottish and English markets move forwards together, what the impact of technological change can and should be on the business, and what role we might play in the Scottish Government's Hydro Nation programme. These and other questions will be given attention in the year to come, while always ensuring that we deliver our day-to-day functions to the highest possible standard.

**David Sigsworth OBE**

Chairman

27 April 2018



My immediate priority on arriving at the CMA was to understand the views of the participants.”

**David Sigsworth OBE, Chairman**

# Chief Executive's Review



2017-18 marked the 10<sup>th</sup> year of operation for the CMA and the retail market in Scotland. Back at 'Go Live' in 2008, we had one entrant Licensed Provider and a set of market arrangements that had never before been applied in

the water industry. Ten years on, we have a stable and mature market with 26 Licensed Provider members serving business customers in Scotland. The opening of the market has proven to be successful for all those involved, and the CMA has played an important role in ensuring that this is the case. In this year's Business Review, I have included a reminder of some of the milestones enjoyed by the market and the CMA during our first ten years.

2017-18 was as busy and productive as our previous years. The focus was on ensuring that we meet the needs of a steadily increasing membership – on the 1<sup>st</sup> April 2017 we had 23 Licensed Provider members, by the end of the year 3 more had acceded to the Market Code and gained CMA membership – while continuing to ensure that the Central Systems develop to be consistent with the evolving requirements of the Market Code.

During the year, the CMA delivered two substantial Releases that covered many varied themes.

- *The September 2017 Release made some significant improvements to the Central Systems interface by introducing the pre-population of certain data fields. It also implemented a move to more secure file downloads from the Central Systems, modified access rights for self-suppliers and specialist suppliers, and made some enhancements to the Scottish Landlord Portal.*
- *The February 2017 Release delivered revisions to settlement calculation, which included a transition for*



The opening of the market has proven to be successful for all those involved, and the CMA has played an important role in ensuring that this is the case.”

**Jeremy Atkinson, Chief Executive**

*rateable value (RV) based charges to weighted charges based on both historic and live RV.*

*The transitional RV based charging arrangements introduced additional complexity to the settlement calculations and involved more complicated data handling to support these calculations. In view of the potential impact that this would have had on run times, a major hardware upgrade was carried out in parallel with delivery of the February Release. Although instigated as the result of a specific change, the new kit provides an important strategic benefit for the business in helping to ensure that the Central Systems remain fit for purpose over the next three years.*

In 2017-18 Deloitte carried out the ninth Market Audit at the request of the Board. The audit concluded that CMA had, in all material respects, complied with the relevant Code requirements in the performance of its duties. With respect to market participants, the audit noted some remaining data issues that require further work. The audit concluded that these issues should be considered in the context of the annual review of Performance Measures.

While reviewing the results of the 2017 audit, the Board also considered the scope and approach for future market audits. Members have expressed an appetite for change, favouring a risk-based approach to audit which is less burdensome than a blanket



assessment, and which would be delivered by the CMA. In January they were consulted on proposals from the Board that addressed these ideas. It is hoped that the changes implemented for the 2018 audit could be a first step on the road to a new model for monitoring how well the Market is functioning. I look forward to reporting on progress in this area in future communications.

2017-18 also saw the retirement of the CMA's first chairman, Brian Saunders. The Board recognised the enormous contribution made by Brian to the business during his term, and wished him well for the future. In July 2017 they welcomed a new chairman, David Sigsworth, to the Board. David brings with him a wealth of experience, including from senior roles in the energy and water sectors, and we are excited to have him lead a new phase in the company's development.

Over the past couple of years, the Board has been keen to develop stakeholder liaison. We have regular operational catch-up calls between Technical Panel meetings to ensure that any issues faced by participants can be addressed in a timely fashion. In January 2017 we introduced the quarterly Member Update, which was targeted at CEOs, MDs and Finance

Directors. 2017-18 marked the first full year of Updates, and our feedback suggests that members have found it a useful vehicle for keeping themselves informed about the activities of the Board.

During the year the new chairman introduced another element to our liaison activities. In order to better understand the perspective and views of market participants, we held a series of informal executive lunches at venues around the country. These provided an invaluable insight into the concerns and priorities of Licensed Providers, and they have already had an impact on some of our activities. As a result, we intend to repeat the exercise in the autumn of 2018 and look forward to a similar level of engagement.

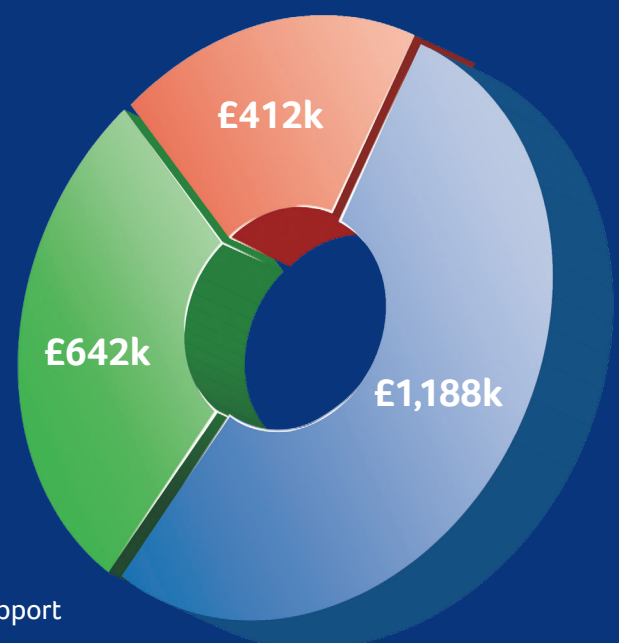
**Jeremy Atkinson**  
Chief Executive  
27 April 2018

## Operational and financial highlights

Enquiries handled .....	235
Transactions processed .....	3,642,558
Changes processed through the Technical Panel .....	12
Settlement runs delivered .....	49
System availability .....	99.37%



CMA Costs 2017-18



# 10 Years of the Water Market in Scotland

## **DEC-07 CREATION OF THE TECHNICAL PANEL**

*The new TP allowed market participants to determine the direction of the market*

## **MAR-08 FIRST MONTHLY SETTLEMENT RUN**

*The Central Systems carried out the first monthly settlement run in anticipation of market opening*

## **APR-08 MARKET GO LIVE**

*Business customers could choose their water supplier and negotiate a better deal*

## **AUG-08 MARKET PARTICIPANT FORUM (MPF) CREATED**

*The new MPF allowed market participants to discuss wider market-related issues*

## **JAN-09 CMA MOVED TO NEW OFFICES**

*An important step in establishing the business and developing a corporate identity*

## **MAR-09 1<sup>ST</sup> SCHEDULED RELEASE DELIVERED**

*The CMA established its cycle of twice-yearly software releases*

## **MAY-09 1<sup>ST</sup> MARKET AUDIT UNDERWAY**

*The Market Audit provides assurance to participants that the CMA is compliant with the Market Code*

## **JUL-09 NEW CMA WEBSITE LAUNCHED**

*The website adopted a new intuitive structure to make navigation easier*

## **DEC-09 1<sup>ST</sup> FINAL RECONCILIATION (RF) PUBLISHED**

*The first whole-year settlement calculation was carried out and delivered*

## **JAN-11 NEW DEVELOPER-OPERATOR DELIVERY MODEL ADOPTED**

*The new model provided increased transparency, improved incentives, and security of service delivery*

## **SEP-11 PERFORMANCE CHARGE PROJECT FRAMEWORK ESTABLISHED**

*The framework facilitated the delivery of market enhancing projects*

## **JUN-12 SAA PROJECT INITIATED**

*This performance charge project provided a step change in the quality of market data*

## **SEP-12 CUSTOMER SATISFACTION SURVEY LAUNCHED**

*The survey provided a new channel for understanding market participant priorities*

## **AUG-13 CUP LAUNCHED**

*The CUP provided a tool which allowed large volumes of market data and SAA data to be combined as part of the data cleansing initiative*

## **FEB-14 SILVER TASSIE LAUNCHED**

*The silver tassie provided a tool which allowed LPs to view and claim potential gap sites in the market*

## **MAR-14 AUTOMATION OF MARKET REPORTS**

*The Central Systems were developed to allow participants to run market reports quickly and easily on line*

## **JAN-15 CMA ARTICLES UPDATED TO ALLOW ASSISTANCE TO OPEN WATER**

*The governance changes facilitated the involvement of CMA in developments in England*

## **JAN-16 CUSTOMER SATISFACTION SURVEY LAUNCHED**

*The second customer satisfaction survey provided another opportunity to hear participant views on the service they receive*

## **JUL-16 NEW CMA WEBSITE LAUNCHED**

*The website was refreshed with a new modern look*

## **SEP-16 CLOUD BASED MEMBER SERVICES INTRODUCED**

*Administrative functions became available on line*

## **OCT-16 LANDLORD PORTAL LAUNCHED**

*The Landlord Portal provides landlords with a tool that allows them to inform Licensed Providers of the occupancy status of their premises*

## **JAN-17 MEMBER UPDATE LAUNCHED**

*The Member Update provides members with a briefing on the activities of the CMA Board*

## **JAN-18 CONSULTATION ON FUTURE MARKET AUDITS**

*The consultation presented ideas for an overhaul in the way the annual market audit is delivered*

The retail water market in Scotland enjoyed its tenth anniversary on 1<sup>st</sup> April. These highlights are a reminder of some of the milestones that have been passed since market opening



## CentralMarketAgency

48 Enterprise House, Springkerse Business Park, Stirling, FK7 7UF.

Tel: **01786 468 860** Fax: **01786 468 868** Website: [www.cmascotland.co.uk](http://www.cmascotland.co.uk) Email: [info@cmascotland.co.uk](mailto:info@cmascotland.co.uk)