



**CentralMarketAgency**

**Business REVIEW**  
**2018-2019**

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At the heart of Scotland's Water Market

## The CMA Board 2018/19

**David Sigsworth** OBE Chairman

**Jeremy Atkinson** Chief Executive

**Fred Hallsworth** Chairman, Audit Committee

**Brian Wilson** Chairman, Appointments Committee

**Alan P. Scott**

**Stève Hervouet**

**Tony March**

## About the CMA

The CMA is the organisation responsible for administering the retail market for water and wastewater services in Scotland. It is a company limited by guarantee whose members - Scottish Water and the Licensed Providers - are the participants in the market. All Licensed Providers must accede to the Market Code and become a member of the CMA before they can offer water or wastewater services to any business customer. At the end of financial year 2018-19 there were 29 Licensed Provider members of the CMA.

The core functions of the CMA are registration (recording which Licensed Provider provides which services to each supply point) and settlement (calculating the wholesale charges owed by each Licensed Provider to Scottish Water). These

services are delivered by the CMA through a bespoke IT system and a set of business processes referred to collectively as the Central Systems. The CMA plays an important role in monitoring participant performance in providing timely and accurate data to the Central Systems.

The Market Code and its associated Code Subsidiary Documents set out the rules for all participants in the Market. These documents also specify the duties and powers of the CMA as they pertain to the Market. Market rules can be changed, through a well-defined industry process carried out at the Technical Panel, to reflect the changing requirements of participants and new regulatory policy. The CMA chairs the Technical Panel and provides it with secretariat services.

The CMA provides technical support to participants in several different areas. Alongside a training and enquiries system, the technical team provides support for Market entry, the testing of participant interfaces, and corporate restructuring activities such as takeovers and the establishment of joint ventures.

# Chairman's Statement



When I became Chair of CMA, in August 2017, the organisation was almost ten years old and I joined a mature, stable and effective business. However, the Board and Executive Team have put great emphasis on

continuous improvement in the intervening period and I want to highlight some of the successes over the past year and to indicate where future benefits are being sought.

I am particularly pleased with the improved financial and operational efficiencies achieved. The cost of auditing Licensed Providers (LP's) compliance with the Market Code is significant and the process was previously seen as burdensome. Following consultation with participants, this work is now being undertaken directly by CMA staff which has considerably reduced costs whilst winning praise for the improved value of the outcome information. The CEO's report provides other examples, but it is heartening to note that whilst these improvements are being made, the budget agreed with the Board for 2019/20 is the lowest in the company's history.

I have been particularly keen to continue the direct dialogue with LP's, and other stakeholders, which the CEO and I initiated soon after I took up my post. Last year's cycle of informal meetings produced another crop of ideas, for improving customer and provider benefits, through more efficient market mechanisms. These are being evaluated, and I expect proposals to emerge in the autumn, to encourage more effective meter reading practice and to improve data flows when customers transfer between LP's. Many of our members operate in the new English market, and it has been interesting to hear their views on coordination, the sharing of experience, and



The market data set is a valuable shared resource which can help all participants do their jobs more effectively.”

**David Sigsworth OBE, Chairman**

the scheduling of activities to avoid clashes, all messages that we will keep in mind in the coming year.

The market data set is a valuable shared resource which can help all participants do their jobs more effectively. It can also serve a wider purpose, such as supporting efforts to promote water efficiency with consequent benefits for the environment. As with any asset, we all have a responsibility to ensure that it is properly looked after, and this is one reason why I set great store by the various mechanisms being used for improving data quality. As custodian of the market data set, the CMA is in a unique position lead on extracting value from it, an area that I hope to see developing next year.”

**David Sigsworth OBE**

Chairman

27 April 2019

# Chief Executive's Review



Last year we reflected on the successes and challenges of the first ten years of the Market in Scotland, this year our focus is firmly on the future. In the last twelve months the business has taken some important

steps to ensure that it continues to meet the expectations of members and stakeholders in a changing world.

In its regular meetings and sub-committees, the Board focuses on business planning and strategy. In 2018-19 this activity was supplemented by two externally facilitated strategy sessions designed to refresh the CMA's medium-term plan. The directors set out a renewed mission statement and defined a set of objectives that are appropriate for a new phase of the business. Based on these the CMA has developed a Strategic Plan for the next three years; the plan focuses on making the best use of technology to support core service delivery and developing the business' interactions with stakeholders and the environment. It is now available to be viewed on our website.

**“The CMA Scotland Mission is to facilitate a reliable, secure and sustainable retail market for water and wastewater services at an affordable price, while exploiting developments in technology and market operations to improve service and meet the demands of our stakeholders.”**

In 2018-19 we carried out a review of the most appropriate technology for supporting CMA functions as we enter the 2020s. There were several reasons why the time was right for undertaking this exercise. The Central Systems have been in place for 10 years now, albeit that they have been subject to regular hardware and operating system upgrades. During this time



The business has taken some important steps to ensure that it continues to meet the expectations of members and stakeholders in a changing world.”

Jeremy Atkinson, Chief Executive

security and data protection have become ever more important and new ways of handling them have been developed. At the same time, we recognise that users are looking for a continuously improving service that adapts to their needs and patterns of their work; in our 2018-19 user survey extending opening hours beyond the Market day was one of the most frequent requests. Finally, our current IT support contracts run out at the end of 2019, providing an opportunity to look again at the services we procure and their technological underpinning. The technology review has generated recommendations and observations around delivering flexibility, security, data analytics and system portability that will be taken forward in 2019-20.

In January 2018 the CMA consulted with members about the future of the Market Audit, asking about how the audit should be carried out and by who. Based on the responses, the Board resolved that in future the scope of the audit should pay more regard to market risks and reduce or eliminate the time spent on site at participants. It also agreed with the suggestion from members that the participant element of the audit should be carried out by the CMA, with the work being subject to independent assurance. The CMA was formally

# Chief Executive's Review *Cont.*

appointed as Market Auditor under section 8.4 of the Market Code and, between April and September, undertook the audit of Scottish Water and twenty-two Licensed Providers. Although there was some variation between Licensed Providers the overall level of compliance was encouraging in most areas. The most significant issues arose in the provision of meter reads, most notably transfer reads, and it is important for customer outcomes that the market remains committed to improving transaction compliance and data quality in this area. There was a generally positive response from participants to the CMA delivering the audit, and the business recorded a significant cost saving due to the change.

In parallel with the participant audit, the CMA was subject to audit by Deloitte, whose report stated:

**“In our opinion the CMA, in the performance of its duties and operation of the registration and settlement arrangements under the Code, has, in all material respects, complied with the relevant Code requirements for the year ended 31 March 2018.”**

During the year we delivered two substantial software Releases that covered important areas of market activity:

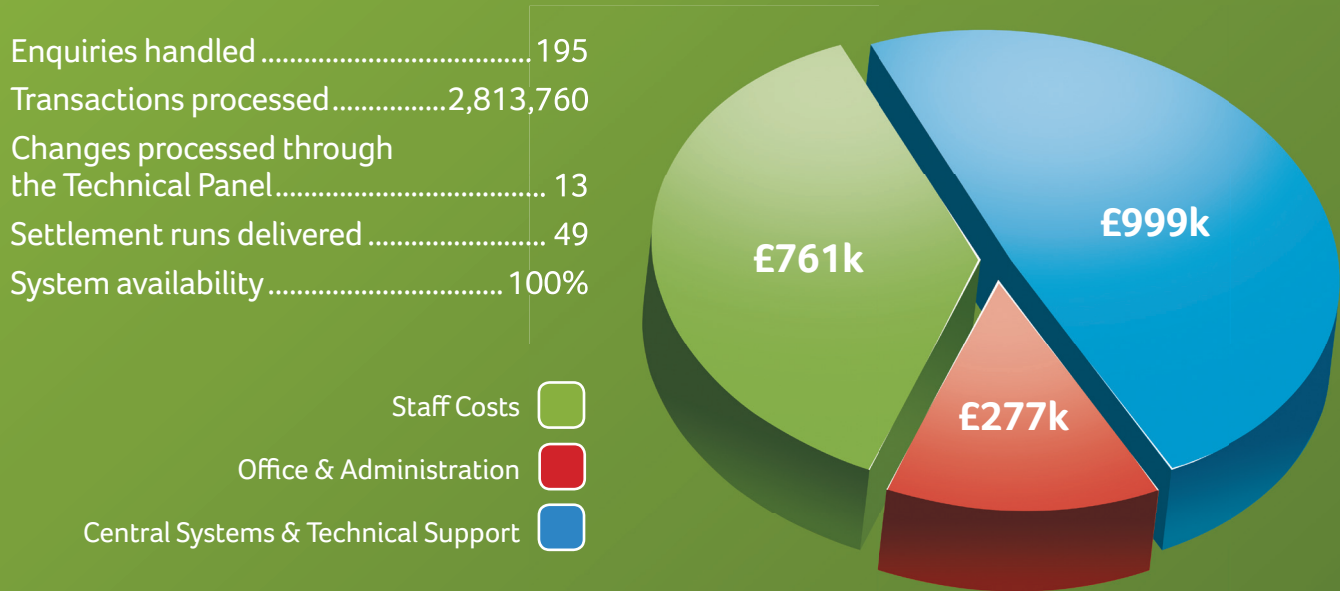
- The September 2018 Release focused on the registration system, introducing mechanisms to address the impact on Licensed Providers of a backlog of disconnections - the facility to temporarily transfer a supply point to Scottish Water and the facility to set meter based and volumetric charges to zero. It also established 'Landlord SPIDs', linking drainage only tenant supply points to the landlord supply point for a multi-occupancy premises. In addition, it enhanced the search facilities available to users of the Low Volume Interface (LVI).

- The March 2019 Release focused on performance monitoring. A new Peer Review Report, which provides a breakdown of Performance Measures by Trading Party, was added to the LVI. In addition, a performance measure for missing transfer reads was added and some existing performance measures were refined. Finally, the participant performance reports that were created for the 2018 Market Audit were automated in preparation for the 2019 Market Audit.

From January 2019 the new Companies (Miscellaneous Reporting) Regulations 2018 have required large private companies to report on their corporate governance arrangements. To assist businesses in complying with this requirement, in December 2018 the Financial Reporting Council (FRC) published: *'The Wates Corporate Governance Principles for Large Companies.'* The report provides six high-level principles of corporate governance relating to the following board characteristics and activities: purpose, composition, responsibilities, opportunities & risk, remuneration and stakeholders. Although the new reporting requirements apply to private companies with more than 2,000 employees or a turnover of more than £200 million and a balance sheet of more than £2 billion, the CMA Board resolved that an exercise should be carried out to benchmark its own governance arrangements against the Wates guidance. The assessment found a high degree of alignment between Board practice and the principles, notwithstanding that there are areas where improvements can be made. The Board carries out these governance reviews periodically, sometimes using external support, and will re-visit this assessment using the 2019 position as a reference point.

**Jeremy Atkinson**  
Chief Executive  
24 April 2019

# Operational and financial highlights 2018-19



## Our Strategic Objectives

- 1 To ensure that CMA is fully compliant with all its obligations under Part 2 of the Market Code.
- 2 To ensure that costs are maintained at the lowest level possible, consistent with full compliance with the Market Code and a service quality that meets participant expectations.
- 3 To ensure that settlement is accurate and timely, given the quality of market data.
- 4 To facilitate participant compliance with the Market Code by providing systems and processes that allow easy transacting.
- 5 To positively engage with stakeholders to understand their requirements and preferences and to communicate to them information about market and CMA performance.
- 6 To provide impartial support for Scottish Water and Licence Providers in improving customer outcomes.
- 7 To support environmental initiatives by using the Central Systems to provide relevant analysis and data.
- 8 To be an equal opportunity employer that promotes a climate of diversity and inclusion, is supportive of staff development, and offers employment opportunities in Scotland.

A close-up photograph of a vibrant green leaf, likely from a plant like a strawberry, covered in numerous clear water droplets. The leaf's intricate vein structure is clearly visible, and the droplets vary in size, some reflecting light. The background is a soft, out-of-focus green.

## 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)