

CentralMarketAgency

At the heart of **Scotland's Water Market**



Business Review 2009-2010



“It was pleasing that the Market Audit confirmed the quality of CMA’s internal systems and processes.”

Brian Saunders, Chairman

CentralMarketAgency

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

At the heart of **Scotland's Water Market**



About the CMA

The CMA is the market administrator under the competitive arrangements for the water industry that came into effect on 1st April 2008. Business customers in Scotland can choose their retailer for water and wastewater services. The CMA sits at the heart of the market between the wholesaler (Scottish Water) and retailers (Licensed Providers).

The duties of the CMA are set out in the Market Code, the document that describes the rules of the market. The two most important areas of CMA activity are 'registration' and 'settlement'.

In the new market, business customers can choose the retailer that supplies them with water and wastewater services. 'Registration' refers to keeping a record of which business customer supply points are the responsibility of which retailer.

Whilst retailers provide business customers with services such as meter reading and customer care, Scottish Water remains responsible for the physical delivery of water to and the removal of wastewater from, business customers' premises. 'Settlement' refers to calculating the monies owed by each retailer to the wholesaler for the provision of these wholesale services. The CMA carries out settlement calculations for each month and for each full year.

Chairman's statement



In 2009-2010, the CMA has consolidated its position as a reliable component in the water market in Scotland. In the process, we have gained experience that will prove invaluable to the market in the future.

The efforts of the CMA staff to deliver the final reconciliation bear testimony to their commitment and ability. Equally, it was pleasing that the Market Audit confirmed the quality of CMA's internal systems and processes.

The CMA Board has established a rigorous framework to ensure best practice governance, risk management and value for money. I am grateful for the support and advice of my fellow board members during the year.

We have further developed our engagement with Market Participants through the Technical Panel and the newly formed Market Participant Forum.

Both these groups have engendered good discussion and led to useful improvements being brought to bear in the market.

The year ahead will undoubtedly be a challenging one as we progress with a major re-tendering exercise. I am confident that we will meet the challenges and continue to enhance the role and contribution of CMA in the market.

Brian Saunders
Chairman, June 2010

The CMA Board

Brian Saunders [Chairman](#)

Jeremy Atkinson [Chief Executive](#)

Fred Hallsworth [Chairman, Audit Committee](#)

Brian Wilson [Chairman, Appointments Committee](#)

Chris Banks

Mark Powles

Kevin Ensell



Chief Executive's Review



Our second full year of operation has been as challenging and stimulating as our first. We end the year having completed business 'start up' and with a focus on delivering enhancements and improvements to the services we offer to Market Participants.

Our second year of operation was delivered at a cost below the budget agreed by participants. We maintain a prudent, controlled approach to expenditure, conscious of the need to ensure value for money at all times.

We have now carried out one full cycle of all market settlement activities. The rules set out in the Market Code define a settlement process that extends for nearly one year from the close of each financial year. This allows time for Market Participants to provide the CMA with the most complete and accurate data that they have available.

At the end of 2009-10 we successfully completed the final reconciliation settlement run, known as 'RF', for financial year 2008-09. It was the first time that this full-year calculation had been carried out. Delivery of the first full-year settlement calculation marked another milestone in the evolution of the market and the CMA.

An important measure of CMA performance is compliance with the obligations set for us under the Market Code. The beginning of 2009-10 saw the delivery of an independent Market Audit commissioned by the Board of the CMA. The scope of the Market Audit included registration and settlement processes, together with other activities covered by the Market Code necessary for the proper functioning of the market. The Market Auditors' opinion was that the CMA had, in all material respects, complied with the relevant Code requirements in the performance of its duties. The Market Auditors highlighted some areas of the Central Systems and business processes where improvements could be made. In the second half of 2009-10 the CMA has worked steadily on addressing these issues with a view to improving the service that is provided to Market Participants.

We had always anticipated that there would be issues around the accuracy of market data and this was borne out by the findings of the Market Auditors. The visibility of market data afforded by our systems has highlighted the need for the industry to continue to address this important area. The CMA is working with participants and the sector regulator to ensure that the right framework is in place to encourage timeliness

and accuracy in the provision of information to the Central Systems.

In 2009-10 we began the process of re-tendering for our Service Providers. In support of this process we established a new model for purchasing services, distinguishing between day-to-day operations and development work, which better meets our needs and provides a basis for assessing our procurement options for the future. We hope to have selected new Service Providers by the end of the current year.

The Technical Panel has again been an active force in shaping the market. Technical Panel members continue to support our drive towards transparency of information and operation of

the Central Systems. We are grateful for their constructive input.

Internally, there has been a focus on developing the organisation's ability to support and manage the market. Our team has shown commitment, ability and perseverance to enable the successful performance of our duties.

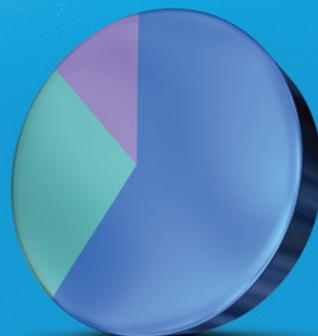
We are pleased that we have built on the achievements of 2008-09 and met the challenges presented in 2009-2010. Engagement with all stakeholders will continue in the coming year to enable us to further establish our place in the developing water market.

Jeremy Atkinson
Chief Executive, June 2010

Operational & financial highlights

Settlement runs delivered	60
Transactions processed	1,244,185
System availability	99.8%
Changes approved through the Technical Panel	18
Changes implemented by the CMA	17
Enquiries handled	232

CMA costs



“Delivery of the first full-year settlement calculation marked another milestone in the evolution of the market and the CMA.”

Jeremy Atkinson, Chief Executive

CentralMarketAgency

Enterprise House, Springkerse Business Park, Stirling, FK7 7UF
Telephone: 01786 468 860 Fax: 01786 468 868 Email: info@cmascotland.co.uk