

# CentralMarketAgency

Business Review  
**2008-2009**

“The CMA has  
successfully completed  
its transition from a  
fledgling organisation to  
an enduring component  
of the water industry  
in Scotland”

Brian Saunders  
*Chairman*

# CentralMarketAgency

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

# 1

## About the CMA

In March 2005 the Scottish government passed legislation allowing for competition in the water industry. For the first time ever, business customers can now choose their water supplier. On 1st April 2008, the new competitive arrangements came into effect. Scottish Water continues to deliver water and remove wastewater, but competing supply businesses carry out retail activities, such as meter reading, billing and customer support.

The Central Market Agency (CMA) is an independent organisation set up by the sector regulator. It is a not-for-profit business owned jointly by all the participants in the market. We are based in Stirling in Scotland's Central Belt.

The CMA is at the hub of the new competitive arrangements, operating the computer systems that run the market. The CMA keeps a record of supplier activities in the market, including recording which suppliers are responsible for the services at each connection point. Every month the CMA uses this information to work out the wholesale charges that suppliers must pay to Scottish Water.

The CMA safeguards and protects the market by ensuring that all participants have the required technical capability to join in. We deliver training and advice to market participants before they enter the market, provide an expert opinion to the sector regulator, and give ongoing technical support.

The CMA also manages and coordinates industry views on how to develop systems and processes – the industry meets every two months as a “Technical Panel” under the chairmanship of the CMA. As part of this process we manage the development of the market “rule book” (the Market Code) which sets out how the market runs.

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## Chairman's statement



It is pleasing to see that the CMA has successfully completed its transition from a fledgling organisation to an enduring component of the water industry in Scotland.

We have completed our first year of operations since the market “go-live” in April 2008. It is clear that the CMA can be a major contributor to the successful operation of a competitive market.

Much has happened in the first twelve months. The board has been established and met regularly during the year; I am grateful for their support and constructive contribution. We have established a Technical Panel which has engendered lively discussion and made many positive suggestions. The CMA itself has moved offices and has achieved operational independence. The staff is established and well qualified to ensure the development and future contribution of CMA.

I look forward to an exciting and challenging period for CMA, engaging with the market and continuing to develop our ability to facilitate the smooth operation of the market.

**Brian Saunders**

*Chairman*

23rd July 2009

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## Chief Executive's Review



The first full year of market operation has been challenging and stimulating as the market has developed and participants have responded to the new arrangements. We have been active in engaging with trading parties to understand and meet their

requirements; at the same time we have faced the issues encountered by a start up organisation. At the end of our first year the CMA is close to steady state operation and well-positioned to play a full part in the development of water markets in Scotland and beyond.

Our first year of operation was delivered at a cost substantially 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.

During the first year we have seen new entrants to the market, and there has been a growing interest in the opportunities provided by the competitive framework. We have used this formative period to cement the business, meet the requirements of current trading parties, and prepare for future entrants to the market.

The CMA was established under the auspices of the Water Services (Codes and Services) Directions 2007, and its role was set out in the Market Code and related Code Subsidiary Documents. A critical measure of our performance has been delivery against our Market Code obligations and, despite resource constraints, we have achieved a rapid move from start up towards full compliance. On the way, we have implemented necessary improvements to the computer systems that run the market, whilst developing business procedures to ensure service delivery to participants and effective control of our internal operations. We are encouraged by the initial feedback from the market audit commissioned by the CMA board.

The CMA is jointly owned by and answerable to the industry. The role and operation of the Technical Panel has been constructive in highlighting, analysing and proposing solutions to enhance the operation of the market. All market participants are represented on the Panel. During the year we have seen a strategic policy shift from “black box” to “transparent” service delivery as experience has demonstrated the value that participants attach to market information.

The contribution and commitment of the CMA staff has been instrumental in ensuring a seamless interface with our stakeholders in greater resourced organisations. We are now established with an organisational structure with clearly defined roles and responsibilities covering corporate and operational activities.

In the coming year it is our intention to continue to consult with participants, stakeholders and suppliers to review and improve the quality of data provided by participants to our database, and to develop the functionality of the software in our delivery platform. We will keep abreast of developments in England & Wales and be available to provide support where it is requested. We look forward to bringing to bear our skills and experience in this exciting new landscape.

**Jeremy Atkinson**

*Chief Executive*

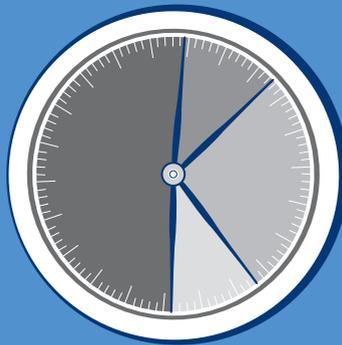
23rd July 2009

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## Operational & Financial Highlights 2008-09

Settlement runs delivered	37
Transactions processed	1,673,349
System availability	99.9%
Changes processed through the Technical Panel	19
Enquiries handled	396

### CMA costs



- IT INFRASTRUCTURE
- OFFICE & ADMINISTRATION
- STAFF COSTS
- TECHNICAL SUPPORT

“The CMA is well-  
positioned to play a full  
part in the development  
of water markets in  
Scotland and beyond.”

Jeremy Atkinson  
*Chief Executive*