

# At the heart of Scotland's Water Market

Business Review  
2022–2023

**CentralMarketAgency**

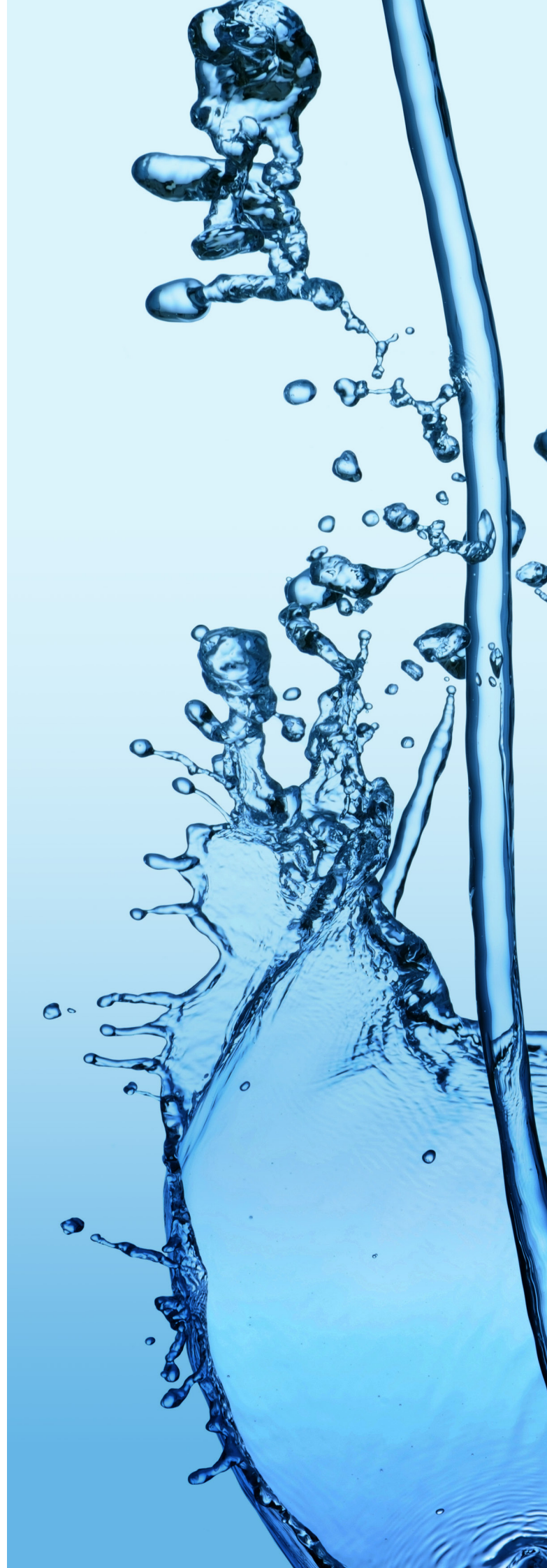
# At the heart of Scotland's Water Market

## The CMA Board 2022/23

David Sigsworth OBE Chair  
Jeremy Atkinson Chief Executive  
Fred Hallsworth Chair, Audit Committee  
Janet Brown Chair, Nominations Committee  
Richard Lavery  
Johanna Dow  
Ian Grundy

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## About the CMA

RETAIL competition was introduced for business customers in the Scottish water industry in 2008. Under the competitive arrangements, Scottish Water carries out the physical business of delivering water and removing wastewater, while competing suppliers, known as Licensed Providers, offer meter reading, billing, and customer services. The CMA sits at the hub of arrangements, providing administration for the whole Market and facilitating coordination between all participants.

At the heart of CMA's operations lies a bespoke IT system and a set of business processes referred to collectively as the Central Systems. The Central Systems include a data base which stores details of every non-household water and sewerage connection in Scotland, along with the volumes of water consumed and wastewater discharged at each of them. This information is used to calculate the wholesale charges owed by each Licensed Provider to Scottish Water every month and every year, in a process called 'settlement'. Participants interact with the Central Systems, recording when they take over service provision at a supply point and updating supply point data where necessary, so that records are maintained as accurately as possible.

The rules of the Market are set out in the Market Code, Code Subsidiary Documents and Operational Code. Market rules can be discussed and assessed at the Market Participant Forum (MPF) and changed, through a well-defined industry process, at the Technical Panel (TP). The CMA chairs the MPF and TP and provides both with secretariat services.

The CMA has a strong data analytics team which has developed an industry-leading capability in data cleansing, audit, and tailor-made data-driven analysis. For several years, the CMA has been responsible for delivering the participant element of the annual Market Audit and it uses this exercise to support the improvement of Market operations and Market data.

## CHAIRMAN'S STATEMENT



**T**HE way in which CMA serves the retail water market in Scotland changed after operating under COVID conditions and I reported significant improvements for Licence Providers and their customers in my statement last year.

That included the establishment of a Senior Stakeholder Group, chaired by Consumer Scotland, which reviews good practice, new ideas and concerns on a regular basis. I also reported on the restructuring of the Market Participant's Forum and Technical Panel to ensure new ideas, particularly around improvements to the Market Code, could be raised more easily whilst retaining the formal process and rigour of the Technical Panel in terms of adoption.

I also heralded the completion of work to upgrade CMA's IT systems and the very significant service improvements which would stem from that. In the Chief Executive's Review, Jeremy Atkinson, reports in detail about initial and emerging market benefits from this important implementation which was brought on stream in August 2022. I just want to record my personal thanks, and those of the CMA Board, to all at the CMA who delivered this project very economically to time and to budget.

So, the operational enhancement reported in my last review continued apace during the 2022/23 financial year and the business has delivered a great deal more in

terms of technical change and innovation. However, it has also concentrated, and invested significant time, in working with stakeholders and listening to the Market.

The Water Industry Commission for Scotland (WICS) wishes to see the introduction of a Market Health Check to help ensure that licence providers, wanting to compete on levels of service, have a recognised means of representing the relative quality of their offering allowing customers to choose with confidence.

CMA has been a key player in working with the Commission to progress the Market Health Check. This is still an ongoing issue but during 2022/23 CMA worked with advisors to undertake in depth consultations to explore how stakeholders wished to see the MHC enhance and benefit the Market.

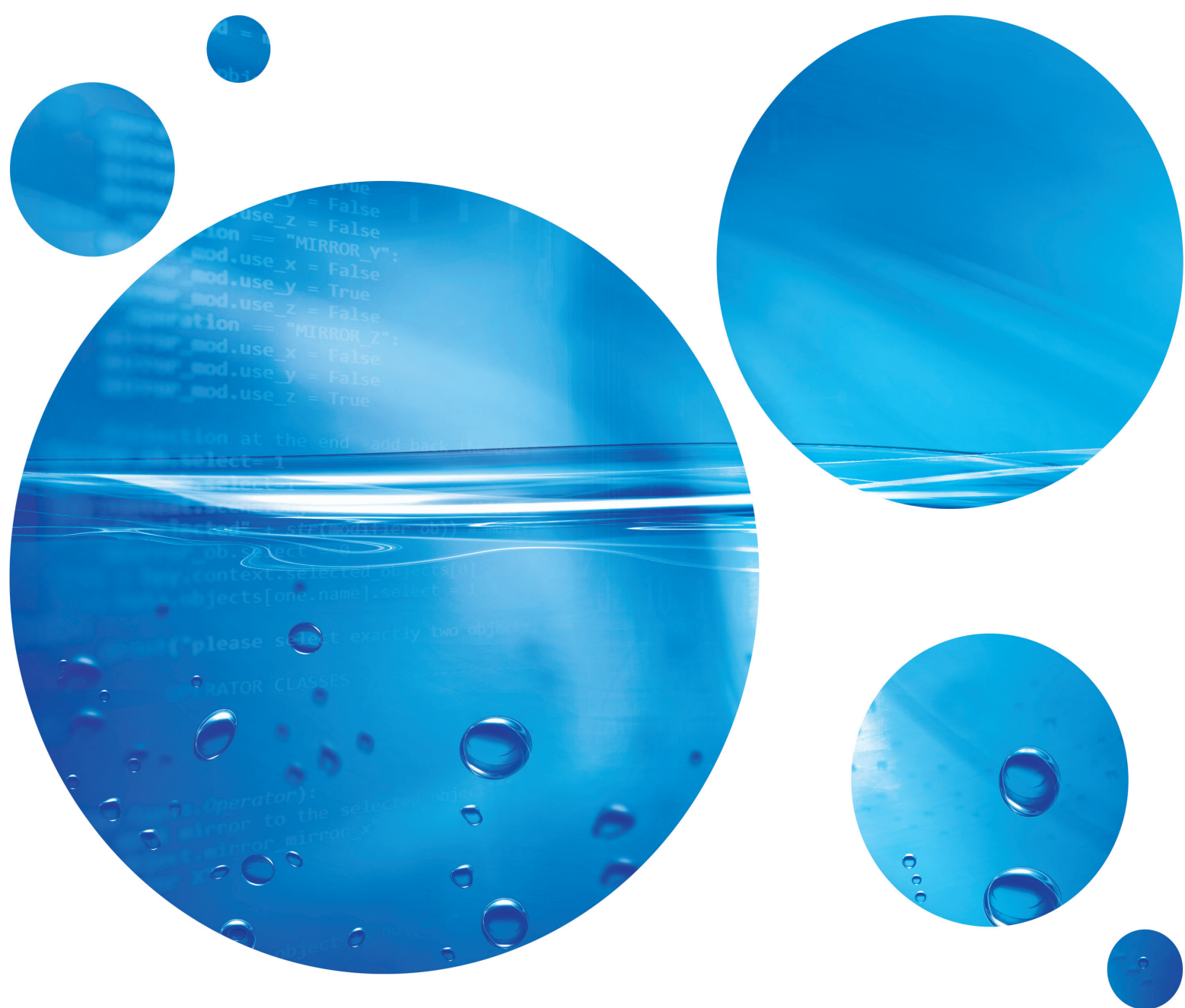
The CMA Board were particularly pleased that Alan Sutherland, CEO of WICS, came and set out his vision for the market at their Board meeting. His intention to encourage an open exchange of ideas, in the spirit of Ethical Business Practice and Regulation, has promoted mutual understanding and encouraged progress with the work.

My sense and hope is that CMA will work ever more closely with the Commission and, whilst all parties seek to guard their independence, I hope there will be opportunities to shape and influence the direction of policy.



**The business has invested significant time in working with stakeholders and listening to the Market"**

David Sigsworth ,  
Chairman



The business also maintains a productive dialogue with MOSL, the Market operator for the non-household water retail market in England, and both organisations have been very open in sharing their knowledge. CMA has shared its experience of data cleansing which should help the English Market with these challenges.

At the same time, we have witnessed the benefits of transparency with respect to market data and participant performance and the lessons of England have, and will continue, to shape our own strategy. I am keen to see us seeking out further opportunities to work together.

Turning finally to the day-to-day management of CMA's operation, I want to stress the ongoing emphasis the Board places on tight budgetary control. In a time of escalating inflation and increasing cost we recognise the extra pressure this brings on Licensed Providers and their customers. Every effort was made last year to keep CMA increases low and way beneath inflation levels. That has been a trait of the organisation since its

inception and the budget for the current year continues that trend.

Most important of all we continue to talk very regularly to Market participants. The business sets great store by its regular stakeholder discussions with Contract Managers, but it was a particular pleasure to return to our in-person lunches with Licensed Providers in 2022/23 held in Bristol, Manchester, and Glasgow.

A big topic of debate at those lunches was the potential shape of the Market Health Check and we came away with interesting, useful, and diverse views. We welcome, and indeed need, your views on where the Market should be heading along with how CMA is doing. In 2023/24 we will be conducting a member survey, but I would stress that we are always available for a discussion or to receive your input.

David Sigsworth OBE  
Chairman  
6<sup>th</sup> June, 2023

## CHIEF EXECUTIVE'S REVIEW



2022-23 was a busy and productive year for the CMA; an important medium-term venture came to fruition, we embarked on delivery of our latest Strategic Plan, and a new customer-focused initiative came to the fore. At the close of the financial year, we find ourselves in a strong position to meet the challenges of the future and support all our members in doing the same.

In the second quarter of 2022-23, we saw the successful completion of our Technology Refresh project, which has spanned three successive financial years. The new Central Systems were deployed over a weekend and went live in mid-July, with minimal requests made of participants, and without any interruption to the service offered to the Market. After a period of intensive monitoring of the new systems, which included running and maintaining the old systems in parallel with the new, the project was formally closed at the end of August. The project represents the biggest change to our IT systems since the Market opened in 2008, delivering a complete re-write of the database and settlement engine; it provides future proofing, will lead to new and improved services, and will enhance the security of the Market.

The process of improving service on the back of the new technology has already begun with the delivery of the Medium Volume Interface, which provides participants with a simple method of carrying out bulk uploads of data. Planning for further developments, including 'future dated transactions' and 'settlement on demand' is already well underway, these initiatives sitting under the umbrella of our strategic plan.

The Technology Refresh is an important enabler for our 'CMA Strategic Plan 2022-24' (which is available on the CMA's website at [www.cmascotland.com/our-mission/](http://www.cmascotland.com/our-mission/)). The plan runs until the end of the calendar year 2024, and is centred around three broad themes, 'CMA effectiveness', 'participant effectiveness', and 'promoting wider stakeholder interests'. The first 11 months of delivery emphasised capacity building, both in terms of technology and business processes. However, the need for market participants to see improvements in the services they receive, and for customers to see improvements in their access to information, is explicitly

recognised in the plan, and the board views technical improvements through this lens. An important part of the board's ongoing assessment therefore focuses on the expected outcomes for the market, notably that:

- Building on the new Central Systems, Scottish Water and Licensed Providers should see faster turn-around times and more flexible scheduling for ad hoc settlement runs. There will also be fewer restrictions on, and less impact from, participants carrying out large-scale data updates. We hope to keep developing significant new service offerings that help our participants deliver more effective operations.
- As we develop our cyber resilience, and support participants in the development of their own arrangements, the market should have greater confidence in its ability to respond to cyber threats. More generally, planning and simulation of various disruptive events (learning the lessons from covid) will improve confidence in the Market's ability to continue to operate during times of crisis.
- As we enhance our reporting on Market performance, customers will have access to more information on the operational performance of Licensed Providers and will be better placed to make informed choices when selecting a supplier of services.
- We aim to facilitate the provision of data and information that will assist customers, participants, and ourselves in contributing to net zero targets.

When the board signed off the plan it requested that there should be an assessment of progress with delivery in the autumn of 2022, albeit that this was only six months into the schedule, with subsequent assessments to be carried out before the end of each financial year. Independent consultants reported to the November Board that delivery of the plan was on track. Our work on cyber security, the focus on customer outcomes, and planning for market resilience were identified as notable successes. Areas that would be receiving greater focus over the following six months were the extension of data analytics, the development of CMA's



**We find ourselves in a strong position to meet the challenges of the future and support our members in doing the same.”**

Jeremy Atkinson,  
Chief Executive

net zero strategy, and staff training. These will include improved web-based reporting of Market information and participant performance, along with specific targets for data improvement.

During 2022-23, some additional clarity and substance was given to the concept of the Market Health Check. In 2019 the Commission proposed the introduction of a periodic Market Health Check (MHC), which could be used by customers to gain a level of assurance around the services they would receive, and by Licensed Providers to demonstrate their full commitment to Ethical Business Practice (EBP). At the beginning of 2022/23 the Commission proposed a pilot approach to progress development of the concept. The first phase of work would look at the guiding principles that could be relied on by all stakeholders; the potential scope of the health check, including details of what aspects of service could be measured; possible governance arrangements; and potential resource and funding requirements. The Commission asked the Senior Stakeholder Group (SSG) to recruit consultants and to oversee their work in delivering a Phase 1 report covering these matters. The CMA agreed to hold the contract with the consultants and to provide support to the delivery team.

#### **The Phase 1 work:**

- Duly identified guiding principles for the MHC framework (that it should be focused on customer needs; be objective; deliver constructive feedback; be proportionate; be transparent; provide meaningful outcomes for customers; be deliverable).
- Identified aspects of service that are relevant to the customer journey, distinguishing between ‘must do’ services and those that can be subject to differentiation.
- Suggested a way of summarising multiple elements of service into single measures for ‘service offers’ and ‘delivery outcomes’ that could be easily understood by customers.

The work also highlighted an important omission in the Market, noting that without a Customer Code of Practice to provide a reference point, the framework inevitably becomes complex very quickly. Consequently, the resources and costs required to deliver it also become significant. By the end of the financial year, it was agreed therefore that a Code of Practice should be developed to provide a focus for the MHC framework. The CMA remains committed to assisting in this process and contributing to the delivery of a Code of Practice that works for customers and Licensed Providers.



During the year the business continued to develop its analytic and reporting capability. Our 'Audit Reporting Module' (ARM) was updated in line with the 'Technology Refresh' and took a significant step towards the target of delivering a monthly audit reporting capability for Participant Audit measures. This work was carried out against the background of the upcoming review of Market Code Performance Measures and strategic thinking around the alignment of the audit and performance measurement regimes. The work will also be an important input as we update our web-based reporting of Market data and performance.

At the September 2022 meeting, the Board considered Deloitte's report, '2022 Market Audit – Draft Final Market Participant Report. For the period 1/04/2021 to 31/03/2022.' The 2022 audit marked a return to the full audit scope, including requests for data and process documentation from all participants. It was reassuring to see that in 2022 performance had largely recovered to pre-pandemic levels, although underneath this aggregate picture, there is some variation between Licensed Providers in performance, particularly with respect to meter read tests. The board also recognized that the combination of debt accumulated during the pandemic and the effects of the cost-of-living crisis mean that operating conditions remain difficult for the Market.

In 2022-23 the CMA's small staff complement had a significant impact on the Market and demonstrated the value of their knowledge, experience, and commitment. The business continued to focus on providing high quality registration and settlement services at the lowest possible cost, our 'core function'. We are particularly aware of the cost pressures faced by participants and treat the annual budget setting process and subsequent performance against budget as key measures of success.

In recent years the board has directed the business to adopt a customer-focused approach in its operations. This has been given effect in the running of the MPF and the formal assessment of change proposals. CMA's involvement in retail matters through our contribution to the MHC initiative marks a major step forward in this development. It has been a challenging journey but one that the CMA is committed to continue, along with an increasing involvement in net zero implementation and other environmental matters that are central to customer service.

Jeremy Atkinson  
CEO  
6<sup>th</sup> June, 2023





## Operational and financial highlights 2022-23

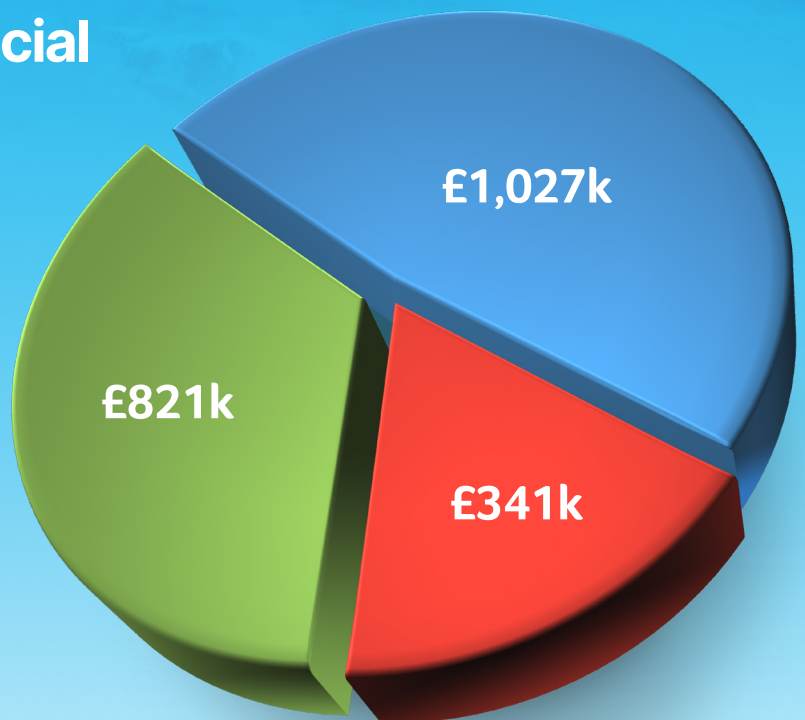
Enquiries handled .....174

Transactions processed .....2,548,061

Changes processed through  
the Technical Panel .....16

Settlement runs delivered ..... 60

System availability ..... 100%



Staff Costs 

Office & Administration 

Central Systems & Technical Support 

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