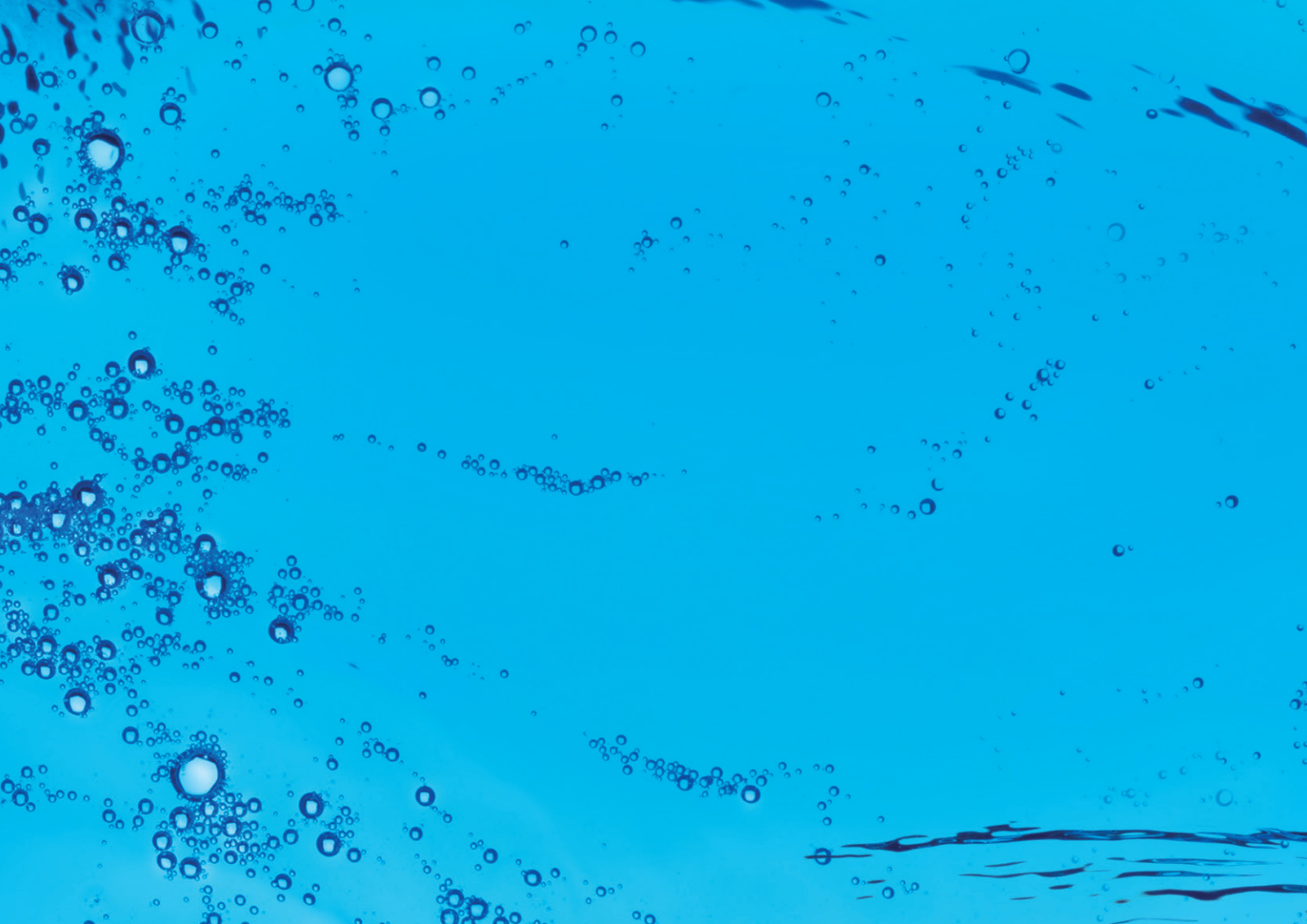


**CentralMarketAgency**

At the heart of Scotland's Water Market



**Business Review**  
**2023-2024**



## The CMA Board 2023/24

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



## **In the 2023-2024 year CMA extended its excellent track record of continuous improvement.**

More services were offered to Licensed Providers using the increased capability of Central Systems resulting from the upgrade installed in 2023, a below inflation budget was delivered and slightly beaten despite challenges from rising costs and a high volume of system development, innovation in market data use supported providers drive operational efficiency and a great deal of emphasis on market communication provided deeper understanding of stakeholder expectations of CMA and that has been hugely helpful in developing a new Strategic Plan.

Much of this is taken up in greater detail in the Chief Executive's Review, but I want to express my own thanks, and that of the CMA Board, to a highly motivated CMA team for another year of outstanding performance and progress.

Turning to other matters, the Board instructed DWF LLP to undertake a limited review of its governance provisions against the Wates Principles which are an established set of governance principles and guidance. The outcome concluded that CMA operates a good overall governance

structure with no areas of material concern. From a compliance perspective it was recognised that best practice was applied and tailored according to the needs of the business.

For the avoidance of doubt, this exercise did not extend to a review of the Articles, Market Code and related Documents.

The Board also evaluated its membership and structure, particularly in respect of the forthcoming retirement of the Chairman and other changes of non-executive directors. To ensure the provision of the Market Code could be met on an ongoing basis, the Chairman asked the Nominations Committee to undertake a recruitment exercise and to recommend two candidates to be appointed to the Board as Independent non-industry non-executive directors.

Christine McGourty and Andrew PL Walls were appointed to the Board on this basis to serve from April 2024. Christine was previously the Chief Executive of Water UK and Andrew is the Finance Director and leader of the Professional Services Group for the Offshore Renewable Energy (ORE) Catapult.



**“A highly motivated CMA team has delivered another year of outstanding performance and progress.”**

David Sigsworth OBE  
Chair

Concurrent with these appointments, Johanna Dow, Chief Executive of Business Stream Ltd, stepped down from the Board after serving for three years as an industry elected non-executive director. I want to thank Johanna on behalf of the Board for her active and supportive contribution over that period.

Following a ballot of Licensed Providers, Jim McDowall, Commercial Director of Business Stream Ltd, was elected to take up the vacant industry non-executive director position.

Before closing, I want to return to the increased level of activity and resource invested in market communications over the past year. For some time now CMA's CEO, Jeremy Atkinson, and myself have been travelling to various British locations to meet groups of Licensed Providers to hold discussions over an informal lunch.

We have found the feedback from those sessions some of the most productive input for determining how the market responds to system development ideas to drive efficiency and value for money.

The Market Health Checker initiative, and the associated

development of a Code of Practice, has been an ongoing topic in these meetings for several years and slow progress has caused frustration. It is encouraging to see new moves to complete the work are underway and CMA is committed to supporting an early conclusion.

Last year the dialogue with Licensed Providers was augmented by two opinion surveys. The first involving day to day users of CMA systems and the second smaller survey amongst senior management of Licensed Provider companies. Output from these surveys is dealt with in more detail in the CEO's Review

However, the deeper understanding of market views and opinions, obtained from these face-to-face meetings and opinion surveys, has been invaluable in developing CMA's updated Strategic Plan which is soon to be published and will commence in April 2025.

**David Sigsworth OBE**

Chair

14<sup>th</sup> June, 2024

# Chief Executive's Review



## **2023-24 was another successful year for the CMA.**

We saw the benefits of recent investment in the Central Systems, recording improved performance and identifying opportunities for service enhancements, and we are confident that there remains much more to come over the next couple of years. The board looked at its own performance and governance and made some changes that should enhance its effectiveness. We also devoted a lot of time to listening to the voices of our Participants, so that we can prepare for the future and meet the Market's needs. Throughout all of this, we remained acutely aware of the difficult operating environment facing our members (with the cost-of-living crisis and high interest rates impacting on business customers) and maintained our record of below-inflation budget increases.

The Central Systems are the bedrock of our business, and we are confident that they continue to provide the reliable and robust support for the Market. During 2023-24 we capitalized on the benefits of our new technology stack, having already recorded faster processing times and the ability to handle large data submissions with much less impact on other users. Development of the Central Systems during the year focused on three objectives:

- **improving operations:** we delivered improvements to transactions and data management, along with more comprehensive settlement checking to flag material changes in charges between settlement runs.
- **improving service:** the faster running of the Central Systems and their ability to use 'containerisation' to spin up additional environments allowed us to provide flexible scheduling of ad hoc settlement runs. Participants can now run self-service settlement on any number of their registered SPIDs, which will allow them to understand the impact of recent meter reads and other transactions on their financial position and identify data errors earlier than would have otherwise been the case.
- **improving reporting:** we delivered the first phase of our 'Market Information Page (MIP) Project', which built on the existing Market Information web page by launching the 'Performance Standards Dashboard'. This represented the first step in a much broader re-think around the data and information that will be made available on our website.

Improving the resilience of the Market is an important



**“An important objective for the board is to connect with members and ensure that we understand their views on the future of the Market and the CMA.”**

Jeremy Atkinson,  
CEO

strategic objective for the CMA. While this includes resilience against financial and operational shocks, the immediate focus has been on cyber security. During the year the facility for Participants to register their Cyber Essentials status on the Central Systems was introduced, this being central to the new regulatory requirement to achieve Cyber Essentials as a qualification for access to the Market. We also established Cyber Incident Response Team roles and responsibilities for the CMA and associated external parties; the team is tasked with preventing and responding to workplace cyber incidents. We began the process of identifying which cyber incidents should be addressed in a series of ‘run books’; the run books will set out step-by-step instructions for how all parties should respond to a cyber incident. The next step will be to simulate an incident and step through the response process to confirm that we are prepared to react should the worst happen, and we look forward to inviting Participants to join us as we carry out these tests.

Throughout the year the CMA Board has reviewed its own role and method of operation, first through an internal evaluation of performance, and second, through an externally led review of governance. The internal evaluation looked at the way Board objectives and strategy are set, how

the Board manages company risk and performance, and the functioning of Board committees. It led to several actions, including for the business to broaden its reporting on its own performance, to increase the frequency of member surveys, and to carry out a governance review. DWF subsequently carried out an assessment of Board governance against the ‘Wates Corporate Governance Principles for Large Private Companies’. Their assessment noted that there were no material issues in relation to the governance of the CMA which was generally subject to good governance. It did, however, provide some observations, for example on the importance of the Board garnering deep and wide Market opinion on the appropriate scope of CMA activities, and the need to maintain a sufficient reserve of capability among its non-executive directors.

The Strategic Plan sets out high-level objectives for the business and identifies the actions that are required to deliver them; it is the basis for setting our annual operating plans and budget. The plan is independently assessed every year to ensure that the delivery of outputs remains on track. The 2023 assessment covered the second year of the plan and confirmed that significant outputs, particularly around technology, had been delivered. It was also noted that the



final year of the plan would be subject to an additional level of scrutiny as part of establishing a baseline for the 2025-27 Strategic Plan.

At the beginning of each year an important objective for the board is to connect with members and ensure that we understand their views on the future of the Market and the CMA. In 2023-24 we continued to take a broad approach to achieving this, engaging throughout the year in a round of stakeholder communications, which included regular stakeholder calls, face-to-face meetings, and two formal surveys of members. In the autumn of 2023, the CMA held its annual series of lunchtime meetings with small groups of Licensed Providers. We were pleased to see a high level of attendance and enthusiastic discussion at the meetings held in Bristol, Manchester and Glasgow. While the meeting agendas are open and provide an opportunity for Participants to give us feedback on any issues they wish to raise, we also asked attendees to provide their views on priorities for 2025-27 Strategic Plan. The result was that attendees highlighted four broad areas of interest:

- the importance of transparency and availability around Market and performance data.

- the potential to add value to Market data through analytics, which provide insights to help businesses.
- thoughts on the promotion of collaboration in the regulatory process
- possible extensions to CMA service offerings, such as extended opening hours.

We also conducted two on-line surveys of Participants during the year:

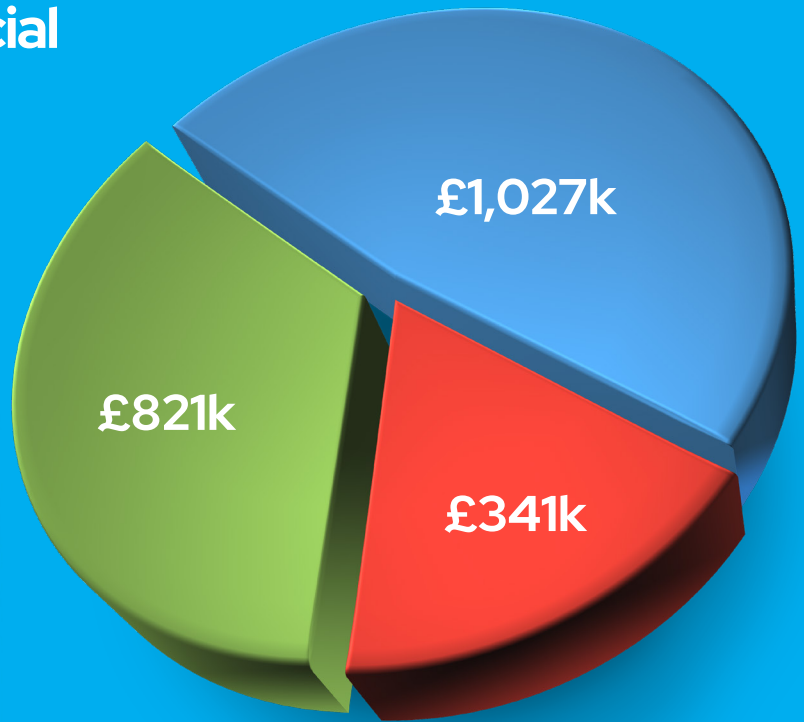
- An 'Operational Survey', directed at around 1,500 users of the Central Systems. which asked about users' day-to-day experience of interacting with our systems and our office, and where they would like to see improvements or additional support.
- A 'Strategic Survey', directed at around 30 senior managers and Contract Managers, which asked for views on the priorities that should shape the development of CMA's Strategic Plan 2025-27.

Respondents to the Operational Survey reported a good level of satisfaction with the systems and services



# Operational and financial highlights 2023-24

Enquiries handled .....	124
Transactions processed ...	2,853,966
Changes processed through the Technical Panel .....	6
Settlement runs delivered.....	61
System availability .....	100%



Staff Costs ■

Office & Administration ■

Central Systems & Technical Support ■

(typically around 85%), but nevertheless made some useful suggestions for how things could be improved. Respondents to the Strategic Survey endorsed the current Strategic Plan and made suggestions for how it could evolve to take account of changing circumstances and new priorities. Between the two surveys respondents reinforced the messages from the Licensed Provider lunches, providing additional detail on the actions and outcomes they would like to see reflected in the next round of planning. They also highlighted important strategic themes for the Board to consider, such as the CMA’s role in providing guidance on Market rules, how the CMA might contribute to efforts on resilience and water efficiency, how proactive the CMA should be in performance management, and how to encourage delivery in Scotland of initiatives that have proven successful in the English Market. The first annual report on Stakeholder Engagement Outcomes was published in early 2024 and the results are already having an impact on our immediate and strategic planning.

We continue to look outward beyond our membership and discuss these issues with stakeholders and other interested parties. The CMA is always keen to share information and experience with MOSL and we maintain good working

relationships at all levels of the business. During the year the dialogue continued on issues such performance measurement and cyber security. We have become increasingly engaged with the Scottish Government as they look for objective and reliable evidence to support policy making on water conservation and net zero. We also attempt to provide an independent and unbiased opinion to the sector regulator in Scotland.

The CMA staff has again been a highly effective team, applying their knowledge, experience and commitment for the benefit of the Market. Structures are in place to ensure that their views (and welfare) are at the forefront of Board thinking and that has added to the effectiveness of the business. The input from Participants has also been most welcome and will contribute to the Board’s vision. The business is in an excellent position to take another significant step forward and important changes are already in progress for 2024-25; I look forward to reporting on them in the next Business Review.

**Jeremy Atkinson**

CEO

14th June 2024



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