

The background of the entire page is a high-quality, close-up photograph of water. The water is a deep, vibrant blue, with numerous small, bright white highlights and ripples that create a sense of movement and depth. The lighting appears to be coming from above, creating a gradient from a lighter blue at the top to a darker blue at the bottom.

**CentralMarketAgency**

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**Business REVIEW**  
2019–2020

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## The CMA Board 2019/20

**David Sigsworth** OBE Chairman  
**Jeremy Atkinson** Chief Executive  
**Fred Hallsworth** Chairman,  
Audit Committee  
**Brian Wilson** Chairman,  
Appointments Committee  
**Alan P. Scott**  
**Belinda Oldfield** (alternate for Alan P. Scott)  
**Stève Hervouet**  
**Tony March**  
**Johanna Dow** (from November)

At the heart of Scotland's Water Market

## 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 2019-20 there were 30 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 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 relate 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



In writing this introduction to CMA's 2019/20 business review I intend focussing on the whole year of operations. The extraordinary impacts of Covid-19 had significant implications for the whole water industry in the final few

weeks of the year but the wider ongoing impacts will be a central issue to be dealt with in the 2020/21 review.

For CMA 2019/20 was a year of consolidation, of continuous improvement and of review and exploration in terms of strategy.

The financial and operational benefits, of bringing the market audit of Licenced Participants (LP) in house, became increasingly clear as results of the first year were reviewed and plans were put in place for future audit cycles. The LP companies expressed their satisfaction with the data collection arrangements and the improved relevance of the outcome reporting was applauded widely by stakeholders.

The Board of CMA have also worked closely with LP's, via the Technical Panel, to prepare for providing increased public disclosure of performance data. The release of data at a detailed market level has now commenced covering issues such as meter reading and change of tenancy procedures. This will be enhanced during the current financial year to include performance level statistics for individual LP companies.

A significant review of CMA strategy was undertaken during the year and has resulted in new initiatives to improve further our communications with LP's and with the market more generally. This is important as competition in retail water markets across Scotland and England develops. Moves are also afoot to understand more about the wide differences in meter reading effectiveness.

The review created a major focus on cyber security and on the on-going issues of maintaining extremely high service levels for the information technology systems used to administer the Market Code. This has resulted in pilot studies, currently underway, to explore a move



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**David Sigsworth OBE, Chairman**

to a cloud-based IT operation. A full system refresh is planned to take place during the next twelve months.

I should also mention the significant changes in the constitution of the CMA Board which were concentrated around the end of the 2019/20 financial year. Johanna Dow, CEO of Business Stream, joined the board as LP Nominated Director replacing Stève Hervouet from Water Plus. Belinda Oldfield, Head of Regulation at Scottish Water (SW), has also joined the board as alternate for Alan Scott, SW Nominated Director.

The Rt Hon Brian Wilson CBE also stepped down as non-executive director after serving 11 years in the role. Brian was appointed to the board at the time CMA was inaugurated and played a huge part in initially establishing the company and in its subsequent development. He has been replaced by Dr Janet Brown who was previously CEO of the Scottish Qualifications Authority. I would like to take this opportunity of expressing our gratitude to Brian and to Stève for their service.

Finally, I would like to thank the whole CMA staff for their efforts in maintaining the effectiveness of the operation during the 2019/20 financial year. Prudence is at the heart of their approach and the current years agreed budget is lower than at any time in the company's history. I must also recognise the extraordinary efforts expended at the turn of the year to prepare to support LP's and the wider water industry in addressing the Covid-19 challenge.

**David Sigsworth OBE**

Chairman

18<sup>th</sup> June, 2020

# Chief Executive's Review



At the time of writing the activities of 2019-20 are overshadowed by the impact of the Covid-19 crisis on all aspects of daily life. The effect of the pandemic on business customers, Licensed Providers and Scottish Water

goes beyond anything seen in recent memory and has challenged our notions of how we work and interact. It seems likely that the crisis will have a lasting impact on the Market, much of which will be in ways not yet foreseen. Next year's review will be able to reflect on these issues, hopefully in the context of a strong recovery. As Covid-19 hit only in the last couple of weeks of the financial year, this review looks at the delivery in 2019-20 of the workstreams that were set out in the medium-term strategic plan. However, it is notable the extent to which the pandemic has disrupted activity in many of these areas.

Cyber security was an important theme throughout the year and has been brought into even sharper focus with the shift to digital working. Following receipt in March 2019 of the Technology Review report, the CMA took a more detailed look at the current technology and management in place to protect the Central Systems from a cyber-attack. Our Operator presented a comprehensive assessment covering the main types of cyber-attack, highlighting those which might be most relevant to the CMA (for example, organised crime attempting to extract value through ransomware). They then set out the preventative measures that are in place; with respect to technology, the use of multi-tier architecture with boundary firewalls, server hardening, encryption, malware protection; and with respect to management practices, identity and access management, real time monitoring for security events and regular patching, annual penetration testing. It was noted that CMA has the capacity to roll back to a recovery point ten minutes before any fatal incident.

During the year we completed our two scheduled software releases. The September Release incorporated a security element, in so far as it replaced the LVI (Low Volume Interface) rendering software



**Cyber security was an important theme throughout the year and has been brought into even sharper focus with the shift to digital working.”**

**Jeremy Atkinson, Chief Executive**

which was in danger of obsolescence. Consistent with our medium-term technology strategy, the new LVI was rendered in cloud-ready form. It was intended that the new LVI should have a modern look and feel to improve the experience of users. This theme of usability continued in the March 2020 Release with the introduction of 'how to' videos covering some of the Central Systems processes most frequently requiring support. We will test the success of these developments when we consult more widely with members on our services later in the year.

In 2019 we set out to further develop the CMA's audit function. For the second time the CMA delivered the participant element of the Market Audit. In addition to assessing 2018-19 data, the audit revisited the prior year's data to begin establishing a consistent time series analysis. Testing revealed an overall improvement in data quality for Licensed Providers as a whole. However, there were some areas, such as the timeliness of new SPID registrations and meter read activities, where there was significant variation between Licensed Providers that merited further investigation. In January 2020 the CMA delivered an interim audit to the CMA board, based on the first six months data for 2019-20, which confirmed the patterns seen in the annual participant audit report. It also demonstrated the feasibility of carrying out data quality analysis in a shorter than usual timeframe, which will be an important consideration as we consider how best to deliver more frequent monitoring of data quality and transaction compliance.

During the year the Board considered several ideas

# Chief Executive's Review *Cont.*

for projects that might be funded from performance charge cash. The first of these to be approved, a project to examine meter read performance, was prompted by the results of the participant audit. The project aimed to understand why some meters in the Market are not read on a regular basis, considering factors such as the impact of geography, site characteristics, the type of meter, the size of the connection, and the meter read agent. The project is dependent on data provided by Licensed Providers for its success, for example, meter reading failure codes and location data. At the end of the year the project was suspended while Licensed Providers focus on the challenges of Covid-19, but it is intended that the work will resume when the Market is able to return to normal operations. The Board also considered a proposal to refresh Central Systems technology, encouraging discussion with the Technical Panel and the exploration of potential benefits in terms of performance and data analytics. This will be an important work stream during 2020-21. Finally, the Board progressed a participant initiative to consider options for Licensed Provider-to-Licensed Provider communications. The Working Group was in its early stages when Covid-19 hit.

In September 2019 the Board approved publication of the first Market Update to CEOs, Managing Directors and Regulatory Directors. The Market Update contains information on SPID transfers and overall performance (calculated as an average across all Performance Measures) by Licensed Provider. It was noted that the Board intended to publish future editions of the Market Update in an open area on the CMA website. This would be the first step in a process of broadening the amount of Market information which is publicly available. Under the current circumstances this initiative has been paused, although the CMA will continue to develop its reporting capability so that it is prepared when the Market returns to normal and it becomes reasonable to publish further information.

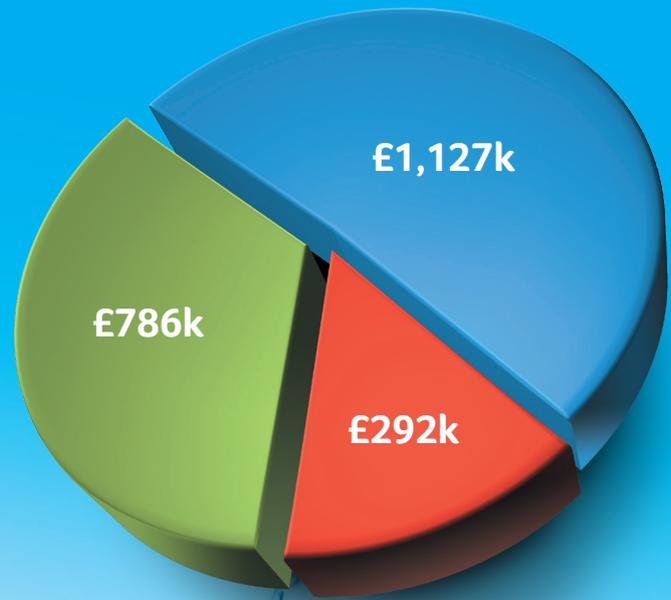
In the second half of the year the Board reviewed the CMA's Strategic Plan to confirm that its objectives remained appropriate and to check progress with the delivery of its various workstreams. In view of Covid-19, the Board will be returning to the Strategic Plan and the Risk Register in 2020-21 as a matter of urgency. It seems likely that deadlines and priorities that were well established only a few months ago will need to be re-thought. In doing so the Board's priority will be to be as flexible as possible in serving and supporting the Market through an extremely challenging period.

**Jeremy Atkinson**  
Chief Executive  
18<sup>th</sup> June, 2020

# Operational and financial highlights 2018-19

Enquiries handled ..... 122  
Transactions processed ..... 2,812,971  
Changes processed through  
the Technical Panel ..... 18  
Settlement runs delivered ..... 49  
System availability ..... 100%

Staff Costs   
Office & Administration   
Central Systems & Technical Support 





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