



## **Commission statement on the revised market entry process August 2008**

---

This document sets out the changes the Commission has made to the market entry process replacing the existing assurance process for new market entrants using the low volume interface with a simplified self certification arrangement.

All licence applicants (including those who wish subsequently to use the high volume interface) will be required to certify their ability to use the low volume interface before being granted licences.

### **Contact**

Katherine Russell

Director of Corporate Affairs and Customer Service

T: 01786 430200

E: [licensing.representation@watercommission.co.uk](mailto:licensing.representation@watercommission.co.uk)

## **Commission statement on the revised market entry process**

---

### **1. Introduction**

The Market Code requires that, before any new licensed provider can begin trading in the market, it must first achieve assurance from the CMA that it can interact with the CMA's IT system. The assurance process is set out in the Market Code Subsidiary Document 0001 (Market Entry and Assurance).

In line with its statutory obligation to secure the participation of new entrants in the competitive market, the Commission believes there is scope to streamline the market entry process for licensed providers, to make sure the market framework does not erect unnecessary barriers to the smooth entry of new trading parties.

### **2. Background**

Licensed providers can choose to interact with the CMA over a high volume interface or a low volume interface. Scottish Water and Business Stream both use the high volume interface: it enables large volumes of transactions over a direct link between their own IT systems and the CMA system. However, for new entrants to the market, the system development cost required to operate the high volume interface is unlikely to be justifiable until they have acquired a very large number of customers. All new entrants so far have opted for the low volume interface.

The current assurance process set out in Market Code Subsidiary Document 0001 (Market Entry and Assurance) is essential for market participants wishing to use the high volume interface. The volume of information a licensed provider is able to pass across to the CMA using the high volume interface means that any errors or problems within that licensed provider's system may disrupt the market once that licensed provider begins trading.

However, using the low volume interface is much simpler. The system blocks transactions containing errors so that the risk of mistakes falls on the licensed provider rather than on other market participants. In this context, the Commission believes that a complex assurance process does not provide any substantial benefit to outweigh the countervailing risk that it might delay entry by new licensed providers.

In any event, the Market Code imposes financial penalties on participants that fail their obligations (for example, by submitting transactions late). In the Commission's view, these penalties will provide the best guard against disruption by market participants.

### **3. Market framework amendments**

The Commission has decided to remove the requirement for licensed providers using the low volume interface to undertake the assurance process. Instead, all new licensed

providers will be required to self-certify their ability to use the low volume interface before being granted a licence.

The Commission has decided to implement these changes by way of a Commission Change to the Market Code (including Market Code Subsidiary Document 0001).<sup>1</sup> The Commission has also amended its Licence Application Guidance for General, Specialist and Self-supply licences.

From today, the current market entry process will be replaced with the following arrangements:

- To grant a new licensed provider a licence, the Commission will require the licensed provider to have self-certified its readiness to participate in the market using the Low Volume Interface.
- New entrants may begin using the low volume interface once they have certified their own ability to use it.
- The CMA will offer three days of free training to new entrants to support the self-certification process. The first two days will take place before the licensed provider certifies its ability to use the low volume interface. (Training will be scheduled within 10 business days if possible, and in any event within 20 business days, of the new entrant's request.) The third day of free training will take place when the licensed provider first wishes to Register Supply Points in the live system.
- Additional training will be available to licensed providers from the CMA. The CMA will charge for this service.
- A licensed provider who has self-certified on the low volume interface may subsequently upgrade to the high volume interface by completing the full assurance process. A new entrant wishing to use the high volume interface from the start will be required to self-certify on the low volume interface first.

The new Market Code (including Market Code Subsidiary Document 0001) with the above changes is available from today on the CMA's website: [www.cmascotland.com](http://www.cmascotland.com).

The revised Licence Application Guidance for General, Specialist and Self-supply licences is also available from today on the Commission's website: [www.watercommission.co.uk](http://www.watercommission.co.uk)

---

<sup>1</sup> See Section 8.7.2 of the Market Code.