



Top 4 Proactive Steps that Serve Both Customers and Regulators

The next several years will bring significant challenges for the utility industry, including justifying new investments to regulators while preparing for or responding to natural disasters, and simultaneously improving customer experience—a daunting task to be sure. Growing consumer expectations and regulatory scrutiny have made it critical for utilities to improve overall operating efficiency while being cost effective. Addressing these challenges while keeping costs in check will require strategic thinking, and ultimately, an underlying digital transformation. Backed by decades of utilities experience, Utegration advises clients to take the following steps:

Tip 1: Continue to invest in and manage the service infrastructure and associated assets to ensure reliable delivery of commodity services

While the pressure to maintain asset integrity and modernize aging infrastructure continues, emerging disruptions hint towards the need to optimize investment focusing on reliability of delivery. To achieve optimum efficiency, utilities need to track asset health to avoid interruptions in service by taking a holistic approach, ensuring investments that drive ROI and align with the overall strategic opportunities—both current and new. With access to more asset management data than ever before, one of the key strategies is to consolidate a structured repository, and augment data analytics for load forecasting, managing peaks during high usage periods. According to analysts, a 5% reduction in O&M costs achieved globally through digitalization could save an average of \$20 billion per year.¹ The key is to take a prognostic approach via Advanced Asset Diagnostics and Lifecycle Modelling. One of the guiding principles is to ensure these investments are economically efficient—that is, they will earn the allowed Rate of Return (ROR). Utilities with active asset management and data-driven decision-making will shape the future.

Tip 2: Evolve to accommodate new business requirements and programs like Tesla Powerwalls or offer low income programs that support those who are in need

With the mandate to move toward an increasingly renewables-based energy portfolio, utilities are working with regulators to offer new ways to meet demand without adding fossil-based power generation, while also responding to new, disruptive market entrants. Over the past decade, utilities have worked to implement demand side management (DSM), which can involve the implementation of several initiatives and their associated reporting requirements—for example, Time of Use (TOU) rates, which incent customers to be mindful of when they consume energy because peak times can cost twice as much as consumption during other times of day. Innovative offerings like the Tesla Power Wall program in a New Hampshire electric utility (part of the Liberty Utilities family of utilities) pave the way for identifying energy-efficient, “green” alternatives that help to manage potential service disruptions. Finally, consider California, which has ushered in the era of Community Choice Aggregation (CCA), allowing communities to determine how much and from where they will source their energy. The utility must continue to serve the members of the CCA, and also work with the energy supplier who represents the newly formed CCA. These entities are growing in number, and the concept could expand to other states.

In addition, utilities are working with their regulators to ensure that the services they supply are affordable to everyone they serve. Some low-income households are spending nearly 20% of their income on their utility bills.² Low-income utility customers face many disadvantages when it comes to energy affordability; utilities can implement the programs that will make a difference to those who are disadvantaged. For a recent example, we need only look toward the impacts of COVID-19. As a proactive measure, many utilities across North America relaxed the credit and collections rules during this challenging time.

These parallel drivers translate to new customer service programs and to the technology requirements that accompany those programs. Utilities should evaluate the impact of new business requirements like engaging business leaders in scenario-planning initiatives to determine level of risk and magnitude of impact on their business and underlying technology portfolios. A flexible underlying business process platform is essential for agility.

Tip 3: Deliver personalized customer service and new, targeted products and services that appeal to the customer base

Years of commodity customer service experience gives utilities a built-in advantage for establishing a relationship that is built upon trust, but a business-as-usual approach to thinking about the customer puts some utilities at risk of losing their customers’ mindshare to more agile competitors. Why? Customers want more than a reliable commodity service now. They want personalized service; they want to know what else they can be doing to lower their costs; they want to learn about new, energy efficiency programs that appeal to their sensibilities; and they want a trusted advisor to guide them through their choices. Thus, utilities need to become more nimble and customer-focused to adapt to the shifting requirements of the new, largely digital economy.

To that end, implementing additional high quality digital interaction channels and leveraging cognitive, data science-driven analytics will evolve from specialized and occasionally implemented to an essential set of core capabilities, especially if those new channels facilitate new revenue streams. Combining targeted analytics with more personalized customer experience should drive a utility to shift from a “listen-respond” customer service paradigm to a “predict-offer” paradigm. A typical example of proactive digital engagement might involve the determination of usage and the resulting projected bill, with helpful alerts and suggestions to help customers monitor their consumption—all within the customer’s preferred channel—thereby reducing calls to the service center. Another example is predicting customer affinity for programs that have the potential to lower usage during peak usage periods. The goal of these technology investments is to facilitate the trusted, connected, and proactive relationship that allows a utility to identify the new products and services that will appeal to its customer base, thereby facilitating new revenue streams.

Tip 4: Transparently monitor and assure compliance with utility regulatory proceedings

Monitoring a utility's performance against established regulatory proceedings has always been a challenge, particularly when it comes to understanding how your business is faring against the sometimes-strict guidelines of return on equity (ROE) and capital structure. Once a regulatory proceeding, or a rate case, is complete and has been ruled final by the regulator, the onus is on the utility to perform per those established metrics, which may outline the maximum allowed ROE, or impose a defined debt to equity ratio, and often both. The trouble is, the data needed to monitor these metrics is difficult to acquire on a timely basis. This makes decision making more complicated and potentially financially harmful to the utility. Implementing technology to monitor and provide feedback in a real-time manner can mean the difference between performing within these metrics and violating the regulatory framework that establishes earnings rules. Useful dashboards that provide better visualization of data and metrics through access to real-time financial data can help utility operators, executives, and decision-makers, arming them with the right data at the right time to pivot operations and finance in record time. Never before has technology provided for the full set of accurate regulatory and financial data to be available to allow decision-makers to understand the trends, and subsequently optimize around the phases of the many capital projects currently in their portfolio, allowing them to perform at their best and still remain compliant with applicable regulations.

Prepare for Greater Regulatory Scrutiny

The utility sector is currently undergoing a fundamental transformation that necessitates a comprehensive, yet flexible approach to addressing both evolving customer behavior and increasing regulatory scrutiny, both of which will have profound impacts on the traditional utility market model.

To master this changing market model, utilities need a partner that understands the complexities of the industry and can help navigate the transition. [Contact Utegration](#) today to learn how we can help ensure you take the right next steps.

¹ <https://www.gegridsolutions.com/services/alm-services/>

² <https://www.aceee.org/toolkit/2020/02/supporting-low-income-energy-efficiency-guide-utility-regulators>