

Keeping up with the Pace

Challenges in Managing Information in de-regulated Energy Retail Markets

The de-regulation of energy markets across the UK and Europe has brought about perpetual change and these changes continue to create significant challenges for organisations to continue to drive profits from what has become a highly competitive energy retail sector.

Competition within the UK energy market forced the separation of distribution and supply businesses, and integration efforts around the metering, data collection, data aggregation and billing functions became resultantly more complex.

Pressures to reduce the cost of serving customers intensified, and competition also drove many suppliers to focus on particular business areas with some choosing to focus on the Domestic/Residential market, while others concentrated on SME and Industrial and Commercial customers. Affinity and partnership deals were marketed in an attempt to capture more customers and increase profits.

In the race to pursue all opportunities, Merger and Acquisitions activity within the sector also increased with the effect of reducing the number of competitors in the race and making it essential for these larger organisations to streamline their operations in order to keep up with the pack.

With acquisitions increasing from European utilities in the UK market not only was there fierce competition for new customers, but a uniquely complex set of information management issues were unfolding which directly affected day to day business operations and drove up operational costs.

Systems and processes involved in the data exchanges between market participants were complex, and had been implemented under time pressure. High levels of exceptions in these industry processes, primarily caused by data mismatches and missing data, but compounded by high rates of customer churn resulted in high levels of customer complaints. Many of these exceptions had to be handled via manual processes and workarounds which increased organisational head count, in some cases by up to four fold in order to double the number of customers.

New cost reduction opportunities identified by encouraging increased agent competition, the separation of meter asset management from meter provision and data processing from data retrieval demanded further changes to industry structure and information sharing. Better information was also being demanded in order to make decisions, select agents and provide reports to the regulator, other industry bodies and consumer associations.

Systems integration to improve information flow, customer service



and better integrated billing solutions became a crucial factor for success.

However, systems integration and data migration issues continued to present problems and as organisations expanded further, enterprise platform strategies were increasingly adopted to cope with larger organisational size, system consolidation, geography and the desire to integrate closely.

De-regulation within Energy Markets is currently at different stages across the globe, with the UK being considered most active in terms of supplier competition and customer switching activity (>50%), followed by the Nordic countries, Australia, The Netherlands and Belgium, and Texas. Although in theory from 1st July 2007 all EU customers have the right to choose their supplier, rapid transformation of all these markets remains some way off mainly due to the dominant positions of national incumbents and the lack of new entrants. Barriers to entry often focus suppliers minds on the investment cost of the systems required to operate within different or regional

jurisdictions, particularly as few nations have implemented exactly the same market model. So although in Europe a common EU framework exists, the devil remains largely in the detail.

This point is foremost for the European forum for Energy Business Information eXchange (ebIX) which is championing the development of new standards for electronic information exchange within the European markets. Rapid interpretation of electronic messages across regions was understandably lacking until the advent of competition, but with common processes and issues emerging, standards for message exchange in processes like change of supplier and metering (especially Smart Metering) are certain to surface.

Historically, the need to be able to keep pace with changes in industry processes and the flow formats and content required to support these processes has been extremely onerous from an IT perspective, with minor modifications to the catalogue of



messages often having disproportionate consequential costs to market participants in terms of their implementation.

In addition to this, completely new sets of information are required to be handled as further structural changes take place in the industry, perhaps as a result of further business separation mandated by the regulator, or emerging technologies. For example, with the introduction of gas metering to competition in 2004 a large burden was placed on all UK market participants in terms of compliance. Compliance required the implementation of new systems, business processes and data exchanges, all at a high cost to market participants.

Business changes such as this have had a significant impact on the IT environments required just as market opening has had a structural impact on the overall business landscape. Ensuring that the IT environment is flexible enough to cope with these types of change without compromising the benefits derived from enterprise solutions is becoming a key competitive differentiator for energy retail suppliers.

The Way Ahead

For organisations striving to keep pace with change and seeking to stay ahead of the competition the outlook remains positive. Solutions which address the demand for flexibility and consolidation are available, promoting seamless and transparent interoperability with enterprise platforms, and enhanced performance with market players. These flexible application architectures enable the rapid adoption of new standards and regulations needed to operate efficiently and provide, not only a better overall customer experience, but vitally, improved organisational performance through streamlined processes and better leveraged IT investments.

AMT-SYBEX provides Information Management solutions that bring visibility and control to organisations operating in complex energy markets. Our solutions provide users with comprehensive and easy to use tools to monitor and manage industry interaction and data flow activity across the end-to-end industry processes, encompassing industry wide, bilateral and internally defined flow formats. The solutions contain full support for all UK and Irish industry catalogues and are extensible to other activities and markets with similar characteristics of high volume flows of data with defined data structures and rules.

