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Benefiting from utility customer service applications: Proper planning is key to implementation

At a glance

Customer service applications hold great promise for utilities, but implementation can be difficult.

Utilities must approach new technology projects with thoroughness.

Proper planning can help utilities navigate the financial, operational and regulatory risks.

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SAP and Oracle customer service applications can help utilities streamline key processes, improve profitability and enhance market competitiveness. But as with any major change initiative, successful implementations require detailed planning to ensure that the proper resources, funding and stakeholder buy-in are in place.

Utilities seeking a competitive edge are looking to new technology that can enhance customer relations and maximize value from future initiatives such as advanced metering. Customer service applications hold great promise for utilities seeking to bolster their profitability, meet changing regulatory requirements and improve their market responsiveness during what will likely be a decade of significant change.

But the implementation of an information-rich customer system, such as SAP's Customer Relationship and Billing application (SAP-CRB) or Oracle's Utilities Customer Care & Billing (Oracle CC&B) application can be a costly and complex undertaking. Large volumes of data, antiquated and disparate legacy systems and

multiple stakeholders can make project planning and execution extremely challenging. What begins as a plan to lift the bottom line can quickly become an anchor, as costs—and frustrations—mount.

An additional complication is that while the newest versions of industry-specific customer relationship applications have definite long-term benefits, the current market environment creates even more pressure to ensure proper implementation "out of the box"—with little margin for error. For example, senior executives who participated in a recent PricewaterhouseCoopers (PwC) survey said they worry about the high costs of application implementation projects during a time of financial uncertainty. Two-thirds of survey participants cited problems securing financing

as a medium-to-high barrier to project development, adding that a shortage of capital is having a high or very high impact on their activities.[1]

To deliver expected value, utilities must approach the implementation of a new customer service application with the same level of care and detail as they would any large-scale change initiative. Since a customer service and billing system is the backbone of the enterprise— with touch points in customer service, finance, field operations, regulatory operations, compliance and other functions—it is critical that planning and execution be done with a holistic view of the system's impact on the organization.

In other words, this is not just another software rollout.

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[1] PricewaterhouseCoopers Utilities Global Survey 2009, A world beyond recession*

Robust platform designed for utilities

Despite the potential implementation challenges and financial constraints, forward-thinking utilities recognize the multiple advantages that new solutions such as SAP-CRB and Oracle CC&B offer. Utilities find themselves pressed to upgrade customer systems for a variety of reasons, including:

- Companies recognize that there is a critical need for increased efficiency and effectiveness of the billing and customer service processes.

- Reporting tools must respond more effectively to regulator scrutiny. Additionally, the number of rate case applications over the foreseeable future will increase and require utilities to access customer information more readily. Companies

With the proper implementation, the SAP and Oracle platforms can be a powerful tool that enables utilities to modernize their customer relationships and open up new opportunities for deeper engagement and new revenue streams.

- Many are struggling to maintain legacy billing systems that are no longer supported by the vendor. And in-house professionals with the knowledge and experience to provide support have retired or are planning to retire in the near future.

- Many legacy billing systems are not able to integrate with newly required technologies (e.g., smart meters). Today's smart meters apply multiple billing rates to customer energy usage that is captured several times over a 24-hour period. The increased data can quickly overload a utility company's legacy billing system.

are also dealing with more complex rate cases than ever before—including various energy efficiency programs—all of which can be extremely costly to build into existing legacy applications.

Because the SAP-CRB and Oracle CC&B modules are designed specifically for the utility industry, they have the capability to handle a wide range of up-to-date functions and business processes, such as managing meters, managing customer interactions, recording and estimating readings, managing other services provided to the customer, billing and invoicing, aging of customer accounts,

estimating unbilled revenue and assisting with reporting to regulatory agencies. With the proper implementation, the SAP and Oracle platforms can be a powerful tool that enables utilities to modernize their customer relationships and open up new opportunities for deeper engagement and new revenue streams.

Anticipating and avoiding pitfalls

When done incorrectly, an implementation can increase customer complaints and, ultimately, result in lost revenue. When done right, business efficiency rises, customer service call volume goes down and companies can gain a deeper understanding of their customers by building customer profiles and further leveraging their investments in other technologies such as AMI.

Based on extensive experience with SAP-CRB and Oracle CC&B implementation projects, PwC has identified the primary areas that cause significant control and operational problems:

- Converting business partner master data

- Estimating customer usage

- Validating meter data and billing

- Resolving billing invoicing, cancellation, and rebilling errors

- Determining exception reporting, including adjustment transactions, aging and write-offs

- Integrating new SAP-CRB or Oracle CC&B system functionality into existing customer service processes

- Training customer service personnel on new functionality

- Reconciling subledger to general ledger entries

- Integrating ERP and integrated utility applications

- Implementing compliance, user security, policy and procedures and controls

Each of these issues has the ability to cause a significant disruption during and/or after an implementation. However, they can be avoided through proper oversight and an early focus on key risks.

Communicating progress

Given the size and complexity of most billing systems, it can be difficult to deliver accurate and timely implementation information to stakeholders. Often, the project team's focus is on the detailed aspects of installation and the looming implementation date, and risk/ internal control requirements are overlooked.

In addition, project teams with multiple layers of authority have a tendency to filter information at each level. As a result, by the time information reaches stakeholders, it may not contain all of the relevant detail necessary to make decisions.

By recognizing the importance of communication throughout the project's complete timeline—and building in appropriate processes to ensure that information is passed along—companies can achieve significant cost savings by identifying potential problems before they can have an impact on the project, and by eliminating rework after the system goes live.

Funding: An issue to consider

Utilities need a roadmap to navigate the most pressing financial, operational and regulatory risks related to their customer service and billing implementation. They also must be prepared for the challenges associated with a project that can take up to 18 months or longer to complete.

One of the key considerations for large-scale implementations is project funding. Because of the large scope of billing system implementations and their impact on key processes, most utilities fund the effort through rate case filings.

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In fact, many utilities are filing rate cases for the first time in years and are requesting significant rate increases, in part to cover capital investments such as technology enhancements. But regulators continue to allow lower returns and rates than requested by the utilities, which is consistent with their expectations and focus on eventual market recovery.

According to SNL Interactive, the average return on equity received in 2008 rate cases was 10.28 percent versus an average requested rate of return of 11.13 percent.[2]

Companies should approach planning and implementation as a business transformation process, and manage the effort through controlled milestones that include checkpoints. These checkpoint reviews should assess the project team's readiness to move to the next phase of the project and provide management with additional details as to the risks associated with moving forward.

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Getting off to a good start

Successful customer system execution begins with a thorough, well-designed plan that ensures the project team understands the full scope of work and that the proper resources are available throughout the project life cycle. During the initial planning, it is critical to involve all functions that may be impacted by a new customer service and billing application, as well as external parties such as system integrators, vendors and regulators. Planning and project governance should be carefully thought out, and the impact of implementation on existing programs and business processes should be assessed.

to empower the organization to transform the way its business is conducted. Organizational change management considerations should be just as important as the technology considerations.

A call to action

There are a number of challenges to implementing new systems across an entire enterprise as complex as a utility company. Careful consideration must be given to all business needs, from customer care to impacts on employees and other stakeholders, so that the new system delivers the planned benefit and, more importantly, the benefits are sustained long after the project team has disbanded.

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[2] PricewaterhouseCoopers Utilities Global Survey 2009, A world beyond recession*

It is important to remember that system implementations are not merely a change in technology, but also a vehicle which allows the organization to transform the way business is conducted and the organizational change management considerations are as important as the technology considerations.

Project success requires careful planning and assessment to correctly set the project's scope in relation to the company's organization and reporting hierarchy. Companies must assess the impact of the implementation on existing programs and business processes. Company stakeholders also must

- Is there an effective benefits realization process in place? How will success of the project be measured?

- Is a framework for controls embedded into the approach and the larger project plan?

- Is there proper involvement from each of the stakeholders? Are users part of the project from the beginning? Is there active governance which includes various members of management?

- Are appropriate risk and issue management processes in place?

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be assured that these changes are managed and that dollars spent on the implementation will generate benefits for the company.

Before embarking on this project, the following are among the many questions that utility companies must consider:

- Has a project organization been properly set?

- Has a sound business case been established?

- Are appropriate skills in place?

- How were project goals defined? Who was involved in the project goal setting? Are the goals clearly documented and ownership assigned?

Utilities need a roadmap to navigate the most pressing financial, operational, and regulatory risks related to their SAP-CRB or Oracle CC&B implementations. They also must be prepared for the challenges associated with a project that can take up to 18 months or longer to complete. The combination of a clear mandate for change from the utility's senior executives and identification and management of risks in an IT-enabled business transformation is likely to make any change a success and provide a platform for further business efficiency.

For a deeper discussion about these issues or to obtain our
SAP-CRB and Oracle CC&B implementation considerations
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