5 THINGS RETAIL ENERGY PROVIDERS NEED TO KNOW BEFORE SWITCHING CUSTOMER INFORMATION SYSTEMS

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Customer information systems (CIS) have come a long way in ten years. New software is continually entering the energy market, promising increasingly flexible and affordable solutions to discontented retail power and gas companies. But is the grass always greener when using these new platforms?

Like many industries, retail energy is a race to the bottom for product pricing. Businesses are looking to differentiate their products but are operating under tight margins and must cut costs everywhere they can.

Market change is also adding to this complexity. Retail energy companies are now looking to penetrate new international markets, such as Japan and Mexico, but they are concerned their current CIS are inadequate.

Could more modern CIS, which also offer sophisticated ancillary capabilities such as forecasting, ISO integration and pricing capabilities, be the panacea to all their problems? In speaking to numerous retail suppliers, it would certainly seem as though they could.

So, what CIS should they choose? Many gas and electricity suppliers are grappling with the decision of whether to have multiple 'best of breed' solutions or one single system for all market scenarios, which is then customized accordingly.

In my experience, there's no one-size fits all answer. Constant M&A activity amongst medium-sized suppliers means that many businesses are operating with not just one CIS, but a patchwork quilt of software. This makes evaluating, migrating, or consolidating CIS systems a very complicated process, especially when many of the efficiency and operational gains that suppliers are pursuing come from implementing both a new CIS as well as bolt-on modules from the same vendor.

So, what's the best way forward? Retail power and gas companies should consider five things before moving platforms:

1 Build a strategic roadmap

To get the highest return on a CIS project investment, the entire IT architecture, vision, and roadmap must be considered upfront. Suppliers should establish realistic expectations of scope, schedule, and budget with all stakeholders as well as accounting for the company wide resource impacts a CIS project will have on other projects and business-as-usual efforts. For a large CIS project, finding a way within those competing needs to create a dedicated team that has all the market, technology, and CIS system experience needed for success is a must.

2 Consider the downsides

Switching to a new CIS platform is a very complicated effort. A business case and plan that doesn't accept that many things will go wrong is not conducting proper due diligence. Even with the greatest CIS platform and the best project team in the world, there will be an impact to business as usual. Without having a migration plan that addresses the unique challenges of a CIS project the overall success of the new platform will be at risk. Failed implementations and cost over-runs are common in CIS implementations…how does your plan mitigate that?

3 Prepare for a worst-case scenario

Earlier this year, something rather unusual happened in retail power. A cyber hack crippled a CIS vendor's communication systems (EDI), taking down many utilities and suppliers ability to do business as usual in the process[1]. While power flow to end consumers was unaffected, many customers were still ultimately impacted in a myriad of ways. This took several weeks to rectify, which no doubt caused most suppliers to take a hard look at their own CIS and EDI platforms. With deliberate planning and given the opportunity of a project to switch CIS vendors, additional resiliency can be built into a suppliers business for when the next event like this occurs.

4 Cloud-based solutions change the risks but don't remove them

True cloud-based options are finally taking hold in the industry. While a few options have existed for some time, the majority were previously offered as on-premise installations, or they were provided on hosted infrastructure. With a software as a service (SAAS) model, many of these same vendors are providing Business Processing Outsourcing (BPO) services that further complicate the process of arriving at an optimal financial business case model of a migration.

The added issue with many new retail energy SAAS solutions is they are typically smaller and less robust than long-established market players in other industries, such as a company like Salesforce. Therefore, there is more business risk involved (i.e. can you be sure your provider won't go bust?).

REFERENCES
[1] https://www.bloomberg.com/news/articles/2018-04-04/cyberattack-bleeds-into-utility-space-as-duke-sees-billing-delay

5 Assessment of your CIS and how it accommodates the idiosyncrasies of different markets?

The US is a very mixed picture when it comes to energy regulation. Different US ISOs/RTOs have different requirements and the differences even extend down to individual utilities. For example, in ERCOT (the ISO that covers the majority of Texas), your CIS must be able to handle budget billing for mass market customers. Meanwhile in the Northeast US markets, countless different timelines exist for how bill ready customers must be managed.

Suppliers looking to enter international markets will encounter similar, if not greater complexities. Most CIS platforms are not capable of handling the nuances of all markets. Many of the CIS vendors are eager to expand their platform to your desired markets as part of an implementation. But do they have the market knowledge to do that successfully? And do you, the retail supplier, even have the knowledge internally to guide them and ensure that they are meeting the relevant regulations?

While there are many additional things to consider as part of a detailed plan, retail gas and electricity suppliers should find confidence in focusing on these major areas to start. Ensuring you have done proper due diligence and have developed a plan that integrates the specific needs of your organization and the unique attributes of a CIS migration, will ultimately lower your risk and keep you on the best path to a successful outcome.