

SAP Customer Success Story

**“I’m going to use this project as the tool
to transform this company.”**

Robert Tessier, President and CEO, Gaz Métro



AT A GLANCE

Company Name

Gaz Métro
www.gazmetro.com

Industry

Utilities

Key Challenges

- Billing challenges for natural gas, due to price changes and market demands
- Integration for IT landscape

Solution and Services

SAP® for Utilities

Implementation Highlights

- Customized IT solutions to manage and administer complex gas rates for industrial, commercial and residential customers.
- Gaz Metro created a flexible business platform to optimize its procurement processes, improve service delivery, and meet the challenges of changing market demands head-on.

Key Benefits

- Reduced 40 IT applications to one
- Better responsiveness to energy market and regulatory conditions, by integrating assets and energy value chain practices on a common business platform
- Gaz Metro now has the functionality, integration, and scalability it required to respond to today's needs – and prepare for tomorrow's challenges.

‘HIGH OCTANE’ SAP® SOLUTION DRIVES CHANGE AT GAZ MÉTRO

With more than \$2 billion of assets and more than 1,300 employees in Quebec, Gaz Métro is a leading Quebec energy company and one of Canada’s largest natural gas distributors. Gaz Métro serves about 157,000 customers in Quebec through an underground pipeline network of almost 10,000 km. A subsidiary, Vermont Gas System, serves about 36,000 customers.

Gaz Métro operates under a fixed rate of return. As a monopoly provider, the utility’s performance on metrics such as customer satisfaction and return on assets are closely monitored by the Quebec Energy Board. It is therefore critical for management to have the right information technology systems to collect and analyze financial and operating data. The demand for a high level of service comes from all sides.

THE CHALLENGE

In 1999, Gaz Métro took a look at this emerging landscape and the “rising bar” of service expectations, and came to a decision. Unless the Company put most if not all of its roughly 40 separate IT applications under one umbrella, it would become impossible to grow its application scope to accommodate its growing business.

The main challenge they faced was industrial billing.



“Gas is the most complex form of energy for a utility to bill,” said Robert Courteau, President and Managing Director, SAP Canada Inc. “There are several elements that enter into the calculation. For example, the volume of gas present in a cubic meter – which is the standard measure – is affected by the temperature as well as the pressure of the gas at the delivery point. Other factors affecting price include the time of day and so on.”

“As a commodity, rate structures for gas are far more complex to price than electricity,” says Courteau. “Utilities like Gaz Métro have to calculate their inventory, transportation and distribution, load balancing and other components. At the end of the pipeline, utilities have hundreds of large customers that have essentially unbundled service to meet their individual needs and preferences.”

THE SOLUTION

SAP AG, SAP Canada's parent company headquartered in Germany, had recently designed an integrated solution for utilities: SAP for Utilities: Energy Data Management (EDM) and Customer Care and Service (CCS) system. One of Europe's largest gas trading and transmission company, Gasunie is headquartered in the Netherlands and supplies customers in Germany, Belgium, France, Italy and Switzerland comprising one-quarter of all gas consumption in the European Union. Installed just two years ago, the Gasunie system was the first of its kind for a gas utility anywhere in the world, and the experience gained from this project and other implementations within the gas industry proved invaluable to SAP in tackling Gaz Métro's complex challenges.

From Gaz Métro's perspective, the real strength that SAP brought to the table was its experience in customizing an IT solution in this very complex world of gas rates – experience that was forged in the cauldron of EU energy market deregulation.

While the EU deregulated its energy markets ahead of North America, it did not arrive at a unified approach. The rules for each jurisdiction remain quite different and complexity is still the name of the game. This meant that SAP's solution for Gasunie had to be very customer-specific, depending on the customer's locale.

SAP is now leveraging its unique expertise garnered with Gasunie, Gaz Métro and other gas and electricity companies around the world to develop IDE (intercompany data exchange) functionality that will allow a company operating in a deregulated market to deal and communicate among its distributor, supplier and clearing house. The goal is to make IDE flexible enough to be configured for a company operating in any state or province, depending on the local market rules.

“It was exciting to be part of an international team working on the first application of this kind in the North American gas market,” adds Courteau. “But that's how it's done at SAP. We're not territorial. The customer always gets the best team pulled together from 31,200 people in more than 50 countries.”

“When we went looking for an IT service provider back in September of 1999, we weren't looking for a piecemeal solution,” says Hughes Beaudoin, IT Director for Gaz Métro. “We wanted a firm that would replace our back-office systems, our finance, accounts receivable, logistics, material management and so on. We wanted also a supplier who could offer the full scope – gas billing, customer care and network management for our gas pipeline. We awarded the work to SAP Canada because they were the only ones that offered us a totally integrated solution rather than a mix. One solution – that was the success key in our case.”

“We also recognized that SAP had itself made a huge investment over the years in becoming a primary IT solutions provider to the utility energy industry. SAP for Utilities is proof that SAP have ‘done their homework’, so to speak.”

The third, and perhaps most critical element, was that Gaz Métro was looking for a solution that would help transform their business from a product focus to a customer focus. They recognized in SAP's software the potential to drive this process forward. As Robert Tessier, President and CEO of Gaz Métro, said, “I'm going to use this project as the tool to transform this company.”

Both SAP and Gaz Métro benefited from the new application.

SAP's basic product, SAP for Utilities, has now been customized for two very different and complex customer environments on two continents – Gasunie and now Gaz Métro. This customization component is now built into the new version of the software, enhancing its value for highly complex utility applications in various deregulated markets.

“Supplying energy is a risky business,” concludes Robert Courteau. “It is managed on a ‘time-slice’ basis, and the utility has precious little room for miscalculation. If you have too much energy, you either have a storage problem or the energy is lost (in the case of electricity). If you have too little energy, you have angry customers. And if you don’t price it right, you’re headed for disaster. Our job is to help clients like Gaz Métro take out these risks.”

Better data. Better analysis. Better management decisions. Reduced risk. Higher productivity. Higher job satisfaction. SAP for Utilities turned out to be the tool to help transform Gaz Métro.

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THE BEST-RUN BUSINESSES RUN SAP



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