

SAP Customer Success Story

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Clayton Driver, Chief Information Officer, FortisAlberta



AT A GLANCE

Company Name

Fortis Inc.
www.fortisalberta.com

Industry

Electric Power Distribution

Key Challenges

- Keep costs low and provide timely and accurate data to other players in market space
- Meet and exceed the expectations for customer service

Solution and Services

SAP® for Utilities

Implementation Highlights

Saw measurable results within two months of launch

Key Benefits

- Upgraded their legacy customer information system
- Within two months of 'go live' answered over 70 percent of customer calls within 30 seconds of receipt
- Achieved improved accuracy in revenue forecasting



FORTISALBERTA

DEREGULATION MADE EASY: FORTISALBERTA AND SAP FOR UTILITIES

FortisAlberta's core business is the distribution of electricity. The company operates an approximately 100,000 kilometre wires network that serves some 400,000 former Aquila Networks Canada customers in Southern and Central Alberta. FortisAlberta works with a wide range of partners, including power generators, transmission system operators, retailers and agents, to deliver steady and reliable service to the end-use customer. One of its key partners is EPCOR, a major energy retailer that serves customers on both regulated and competitive electricity rates in the deregulated Alberta market.

Alberta was the first province in Canada to deregulate its electricity market back in 1995. Although Ontario followed suit in 2002, the subsequent retrenchment by the Ontario Government in the face of sharp price fluctuations put deregulation on hold in that province. This leaves Alberta as Canada's only remaining 'test' of the proposition that an open and deregulated electricity market can deliver greater investment, more stable supply, more consumer choice and better customer service than a closed and fully regulated market.

Like most jurisdictions around the world that have deregulated, Alberta's experience has not been entirely smooth. Uncertainty about market rules has at times led to price surges and supply issues; however, the province has persevered and is now beginning to realize some of the long-awaited benefits of an open market.



“Deregulation is not an overnight panacea,” says Catherine Tough, Industry Architect with SAP Canada. “In our experience, it takes roughly two to three years before the market stabilizes and ten years before it flattens out to the point where end-users begin to realize substantial price benefits. This was evident in the telco industry, and it applies to the electricity market as well.”

During this transition period, utilities like Fortis operate under even greater scrutiny from regulators as governments seek to protect end-users and to maintain broad electoral support and momentum for deregulation. The utilities on their part want to optimize their investments - whether in physical assets, human resources or systems - to achieve the greatest returns. In this dynamic and challenging environment where market rule changes are the norm rather than the exception, utilities need tools in place to allow them to be proactive and respond quickly to changing conditions.

THE CHALLENGE

Clayton Driver, Chief Information Officer at FortisAlberta, describes some of the challenges the company was facing when it entered Alberta.

“If someone had asked me three and a half years ago what the main challenge was for an electric company in Alberta, I would have said it was avoiding power outages or restoring power after an outage. Today the main challenge in this deregulated market is to keep our costs low and to provide timely and accurate data to the other players with whom we share our market space.”

This is not an easy task. FortisAlberta is responsible not only for maintaining the wires that carry the electricity, but also for reading the customer's meter and then providing this data to the energy retailer, who bills the customer directly, and to other market participants who require it. FortisAlberta reads meters every day and aggregates the data into 1.5 million to 2 million billing transactions per month. This is a phenomenal amount of data to be processed, and the retailer needs it to be as accurate and up-to-date as possible.

“Under Alberta rules, the retailer reimburses us first for our costs and then has a time window when they can dispute the accuracy of the data we've provided them,” says Driver. “Obviously the more accurate our data and forecasts are, the less settlement needs to take place afterwards. Avoiding billing issues makes us happy, our retail partners happy and the end-user happy.”

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Another challenge faced by FortisAlberta - and all Alberta utilities - is meeting or exceeding the expectations of the government regulator and associated agencies for customer service. This comes back to the need for the province to demonstrate to all stakeholders that deregulation works. Reducing billing errors and reconciliations, and the ability to respond quickly to customer concerns, are key determinants of success for both the government and the utilities.

The final challenge is that the Alberta electricity market is still in transition and the rules continue to change. “Since 2001 there have been 13 rule changes affecting settlements between players, and this has impacted our metering and billing systems,” continues Driver. “Add to that the fact that we interact with 108 retailers and it is pretty clear why we need a powerful and flexible system to handle our data requirements.”

THE SOLUTION

The solution came in the form of SAP for Utilities, a system designed to make companies such as FortisAlberta more market-driven and customer-oriented key attributes in a deregulated market.

“FortisAlberta [formerly Aquila Networks Canada] was already a back-office customer of ours in Alberta through the acquisition of the TransAlta distribution assets,” says SAP’s Catherine Tough. “In addition to transitioning their BC operations to the SAP back office platform, Fortis asked us to upgrade their legacy customer information system which was not allowing them to comply easily with Alberta market rules. A key component of what we offered was Intercompany Data Exchange (IDE), a software solution that automates transactions between market players in a deregulated market.”

In Fortis's case, IDE removed any manual intervention in the process of reading a customer's meter and then pushing out this information to retailers and other players. Given the fact that Fortis makes up to 2 million billing transactions per month, deals with 108 retailers, has to operate within the time frame set by the provincial regulator and - last but not least - needs a flexible and scaleable system that can easily adapt to rule changes, the need for IDE was evident.

“SAP allowed us to consolidate all our customer systems into a common integrated platform, says Driver. “We have more timely information and no need to validate it as it moves from one system to another - a challenge we faced when we had separate metering, billing and financial systems. They are all common now, under one environment.”

For Fortis, this has meant substantial performance improvements where it matters most: with their customers. Call times at the call centre have been reduced substantially. Even during the crucial 'go live' - a four-day period in which Fortis transitioned from the legacy system to SAP's application, there was no spike in customer wait times, call times, metering or billing errors. The company has been able to not only meet but exceed its regulator's expectations.

Within two months of 'go live' the Fortis contact centre was answering over 70 percent of customer calls within 30 seconds of receipt, exceeding target values. Even more telling was the reduction in the number of meter readings phoned in by customers. They had peaked at over 9,000 calls per month prior to 'go live' and were reduced to 1,000 per month afterwards, indicating a marked increase in confidence in Fortis' billing accuracy.

According to Driver, a good example of performance improvement is bill cancellation. “Under our legacy system, we had no simple way of cancelling a bill and then re-billing a customer. With SAP this is a fairly automated process - just a couple of key strokes.”

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Fortis has also improved the accuracy of its revenue forecasting, which is important to its own financial processes and that of its retail partners. “Prior to the SAP system we were struggling to reach acceptable forecasting targets,” continues Driver. “Now we are exceeding them.”

While the implementation of IDE at Fortis represented the first time the solution had been used in Canada, it is in fact widely used in the United States, Asia Pacific and Europe. Indeed, according to the most recent Meta Spectrum Report¹, SAP has 49% market share for this kind of software solution for utilities on a global basis. About 250 million utility bills are produced using this software solution every month.

¹METASpectrum Report, February 2004, page 4: “SAP has the largest market share defined by an aggregate number of end customers billed on its installation in production (over 49% of the cumulative installed base of the rated vendors).”

“We have over 400 customers in 32 countries using various aspects of SAP for Utilities,” concludes Catherine Tough. “They range from generators with as few as 200 customers to retailers with many millions of customers. They are in every sector - water, electricity, natural gas, waste water - and every market model, from regulated to deregulated to transitional.”

“It is the same solution, yet every company has been able to configure it to meet their business needs. They can pick out what they need, from customer care to billing, from accounts receivable management to work management to IDE for managing transaction exchanges with other market players. They implement only the processes that are relevant to them and their environment.

“That is our key differentiator in the market.”