

Utilities: Dark Days Are Getting Brighter

Automation, Consolidation Increase Customer Satisfaction – and Compliance

By Tim Gaumont, *Industry Practice Manager*

Recent challenges in the utilities industry are forcing many providers to reinvent the way they do business. In an increasingly competitive marketplace, how can utilities create real value for consumers and investors who have lost confidence in the industry? What is the best way to comply with complicated legislation and auditing requirements while still growing the bottom line?

Dark Days for the Utilities Industry

On August 14, 2003 the lights went out in Ohio. In less than three hours, major blackouts expanded across the eastern United States and into portions of Canada. The blackout was the second high-profile economic blow felt by the utility segment in recent memory, following on the heels of the Enron bankruptcy in December of 2001.

The collapse of Enron shattered consumer and investor confidence. Congress responded in 2002 with the passage of the Sarbanes-Oxley Act (SOX), requiring publicly traded companies to attest to the validity of their financial controls. Utility providers are now operating in a marketplace characterized by tight regulations, historically low customer satisfaction and ever-increasing energy prices.

Brighter Days Ahead

Recent trends signal that things are getting better. Many utilities are turning to their finance departments as a model for change – with real and rapid results. Successful growth strategies in the segment today will include tactics to **automate and consolidate financial processes** in order to increase **customer satisfaction** and foster an **active compliance framework**.

Automate and Consolidate Financial Processes

Automating core financial processes allows utility providers in particular to consolidate disparate systems for immediate savings. One utility reported it was attempting to manually reconcile 28 different types of billing systems to payments received, resulting in a three month backlog in their finance department. By automating these systems they consolidated everything into a single, controlled environment and eliminated costly delays in balancing and reporting.

Important features of any solution evaluated should include reconciliation support for multiple billing systems and payment types – including pre-authorized credit cards, debit cards and lockbox payments. Systems with automated notification, research and resolution safeguards can significantly reduce exposure to fraud by allowing operators to promptly and proactively resolve issues.

Customer Satisfaction

In a recent utility company survey by Pricewaterhouse-Coopers, 82% of respondents said that improving customer satisfaction would be their primary means of competitive differentiation in the years to come. Making bills easier to pay should be a top priority for all providers. Offering more flexible payment plans and accepting a wider variety of payment types can benefit utilities in particular by improving perceptions in the local customer base.

With the right automated reconciliation system, these gains in customer satisfaction don't have to come at the expense of the bottom line. When evaluating an automated solution, look for rules-based matching features that can easily perform daily reconciliation of payments applied against deposits made and ease the burden of month-end balancing between book and bank.

Enhancing payment options can allow many in the segment to leverage investments in other back office technologies,

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compounding the benefits to the balance sheet. Several utilities reported that giving customers the option of paying bills with pre-authorized credit or debit cards allowed them to take advantage of advanced Automated Clearing House (ACH) strategies to reconcile and transfer more funds into interest-bearing concentration accounts faster.

The key components of a successful automated ACH strategy for those in the utilities industry will include integration with other financial systems – allowing analysis of current, historical and hypothetical data to maximize deposits in interest-bearing accounts.

Active Compliance Framework

Nearly every publicly traded company in the U.S. has felt the sting of SOX, and eventually realizes that there is no “quick fix” to the confusing, costly and time-consuming compliance process. The only way to adapt to these strict regulations is to accept that the investments being made – in technology, people and processes – can improve real value and, ultimately, the balance sheet.

“Our auditors have told us that we are the only company they can go to and know that they’ll receive the necessary compliance data quickly, and – more importantly – that it will be right.”

– **Alabama Power**, after automating their core financial processes as part of a SOX compliance project

Providers are doing just that – some utilities now have the best governance practices in the corporate world. These achievements often begin in the finance department. In a financial environment characterized by layoffs and cost cutting, one utility reported using the lessons learned from their SOX compliance project to grow their accounting department and establish a comprehensive set of controls, guidelines and documentation procedures for the entire organization.

After identifying the steps necessary to achieve and maintain compliance, the real challenge lies in selecting the right technology to help guide these initiatives. Key features of any automated solution will include a flexible, extensible architecture that supports the standardization of internal financial lifecycles – such as billing systems, fixed assets, general ledger accounts and suspense accounts – while easily enforcing established controls. And a full audit trail, tracking operator activity within the system, is essential to support required compliance documentation.

Summary

*“It is not necessary to change.
Survival is not mandatory.”*

– Dr. W. Edwards Deming, Statistician and Economist

Utilities must adapt to an ever-changing marketplace characterized by increasing complexity and regulation. Automating and consolidating core financial processes can result in immediate savings, with the added benefits of providing real value to customers and increasing compliance. When evaluating back office solutions, providers should look for these features and benefits to ensure maximum return on investment:

Automate and Consolidate Financial Processes:

- Reconciliation support for multiple billing systems and payment types
- Automated notification, research and resolution tools

Customer Satisfaction:

- Rules-based system design that easily performs daily payment reconciliation and month-end balancing
- Integrated ACH capabilities based on current, historical and hypothetical data

Active Compliance Framework:

- Flexible, extensible architecture that supports the standardization and enforcement of required controls
- Full audit trail to document operator activity

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