Unbundling- An Opportunity or Threat for Customer Care?

A.G.A./E.E.I. Customer Activities/Service Conference & Exposition
Toronto, Canada
May 3-6, 1998

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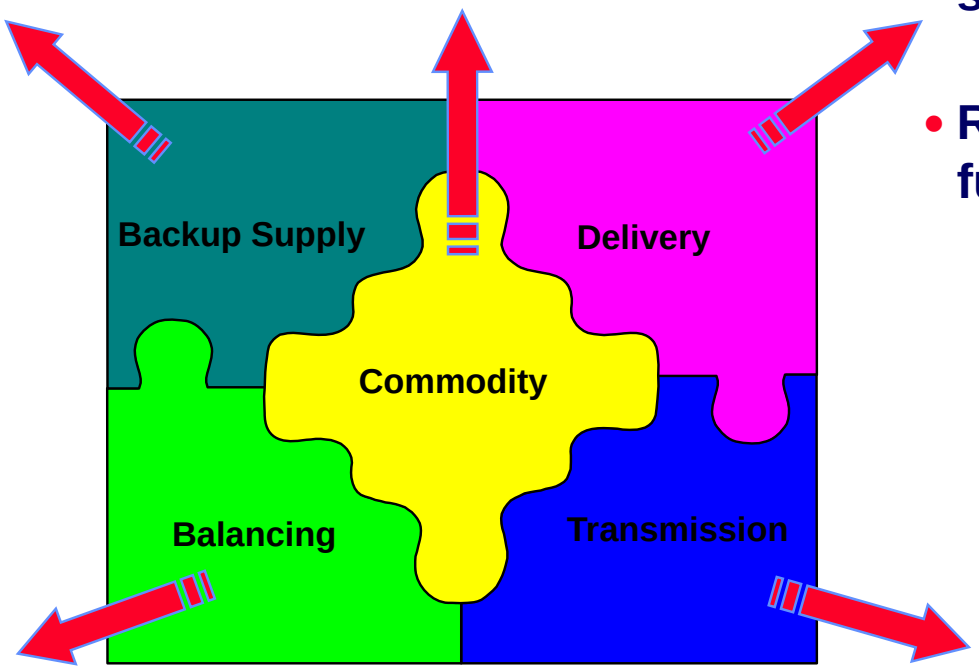
Today's Discussion

- What is unbundling?
- Why are utilities unbundling?
- Today's unbundling landscape
- The energy industry's "end-state"
- Impacts on customers
- Impacts on Customer Care activities
- Challenges for the future

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What is Unbundling?

- **Separating out the components of utility service**
- **Establishing and charging separate rates for each service**



- **Offering customers a choice of energy suppliers**
- **Offering customers a choice of unbundled and/or rebundled services**
- **Restructuring of utility functions for competition**

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Examples of Unbundled Services

ELECTRIC SERVICES

- Generation
- Delivery
- Energy balancing
- Backup supply
- Load following
- Reactive power/voltage control

GAS SERVICES

- Commodity supplies
- Delivery
- Commodity balancing
- Standby/backup supply
- Parking
- City-gate peaking

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Why Unbundle?

- Can offer better, lower cost service to customers
- Establishes the utility as progressive and proactive
- Provides customers the benefits of greater competition
- Customers, regulators, and alternate suppliers are forcing the issue in some areas

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Today's Unbundling Landscape

- **Most large commercial and industrial customers already have choice of gas suppliers**
- **Electric wheeling is gradually being phased-in**
- **Residential pilot programs are underway nationwide**
- **Some states are mandating choice through legislation**
- **Behind-the-meter services are appearing more frequently**

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The Energy Industry's "End-State"

- **All customers will be able to choose their energy supplier**
- **All customers will have a wide array of products/services to choose from for their energy needs**
- **All customers will be able to choose from a menu of energy management services**
- **Utilities and other providers will compete to provide customer care services**
- **Customers of the "Pipes & Wires" business will be energy retailers, not your traditional end-use customers**

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Key Service and Rate Unbundling Concepts

- **Unbundling offers new business opportunities to utilities that choose to examine service options by component**
- **Unbundling exposes utility services to competition**
- **Less than "full unbundling" creates a wide range of operational, transactional and administrative issues to be addressed by the utility (e.g., customer switching, contract levels)**
- **Unbundling implementation can be overwhelming to utilities, customers, suppliers, and regulators**

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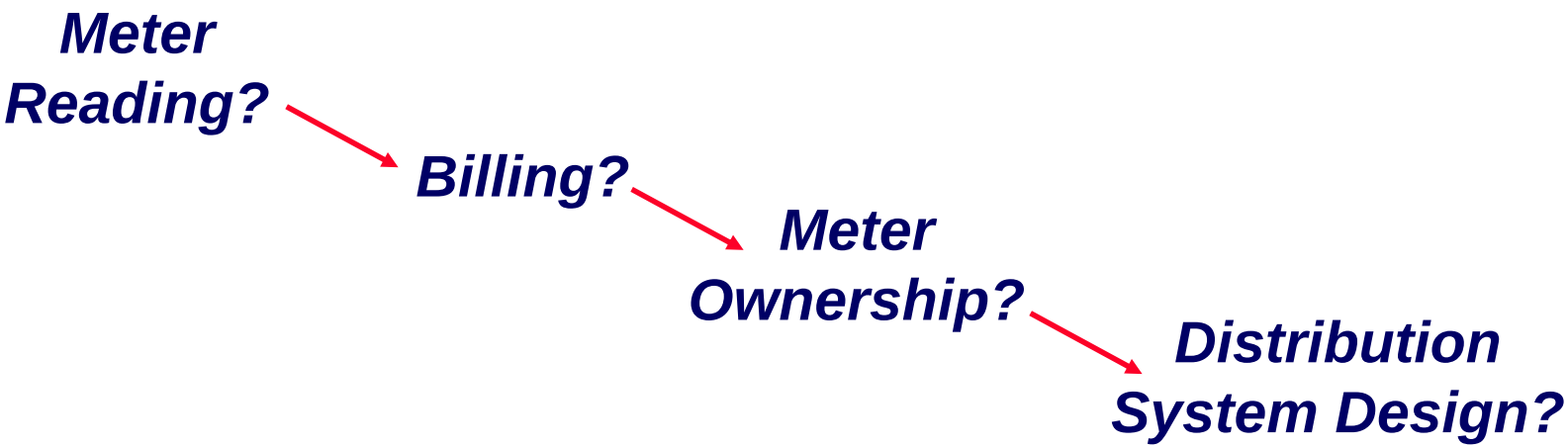
Important Questions to Consider

- **Which of my services are monopoly ones and which are competitively-positioned (today and in the future)?**
- **Are there certain *new* services that can generate incremental revenues from existing or new customers?**
- **Are my costs of unbundled services competitive with those of alternate suppliers?**
- **What type of organizational entity/group can best offer each chosen unbundled service?**

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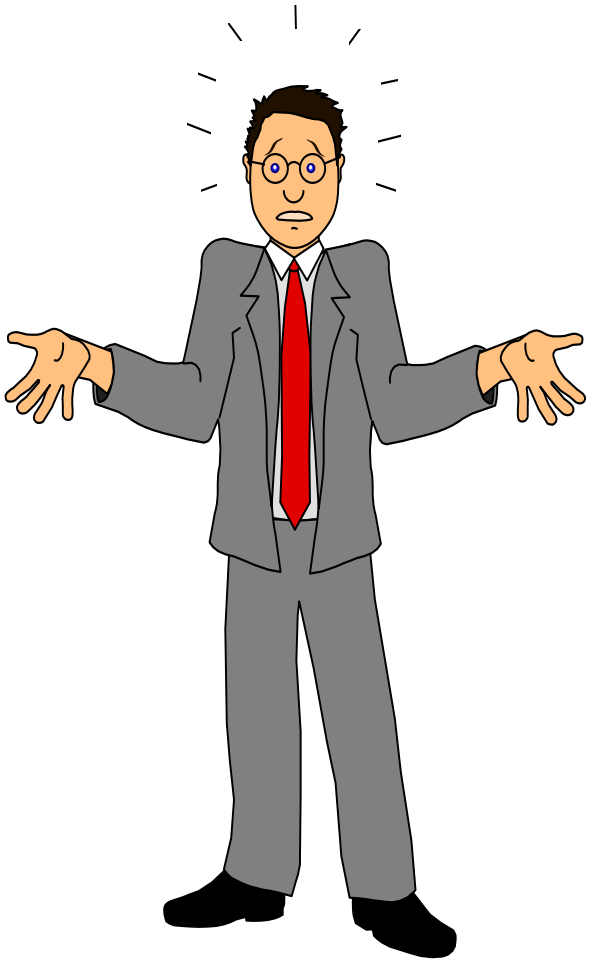
Is There Anything That Cannot be Unbundled?

Market entrants will continue to contest and challenge current gas and electric utility functions whenever there exists a competitive edge and a profit opportunity.



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Impacts on Customers



- **Customers may be confused and/or disheartened by telecom experiences**
- **Customers will be overwhelmed by new and confusing offers**
- **Customers will need significant education to understand who to call, about what**
- **Energy purchases and management could be a greater hassle**

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Different Ways to Secure the Customer Relationship

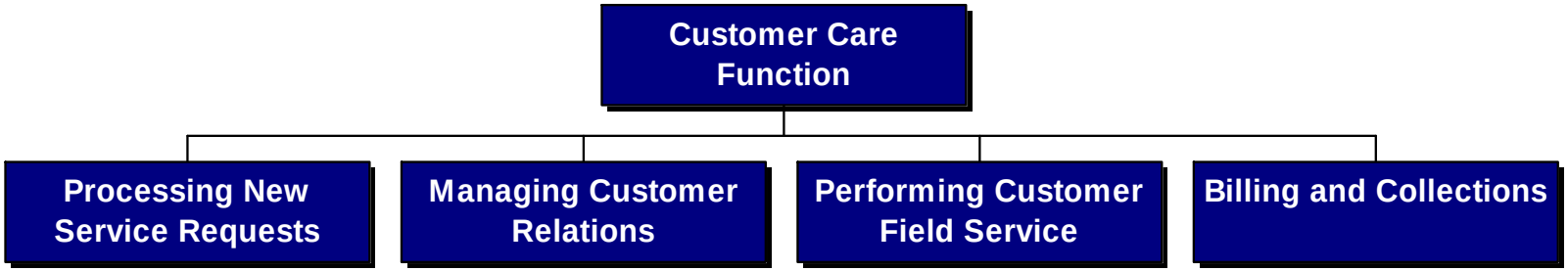


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Securing the Relationship Through Customer Care

A utility's Customer Care processes "touch the customer" in many meaningful and lasting ways:



- **Processing New Service Requests**
  - •New service applications
  - •Increased load requests
- **Managing Customer Relations**
  - •Consumer assistance
  - •Key accounts
  - •Customer Q&As
  - •Call Center operations
- **Performing Customer Field Service**
  - •High bill complaints
  - •Minor system problems
  - •Service & work requests
  - •Service shut-offs
- **Billing and Collections**
  - •Meter reading
  - •Compute/process/mail bills
  - •Processing payments
  - •Managing credit/collections

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Lingering Utility Mindsets Must Change

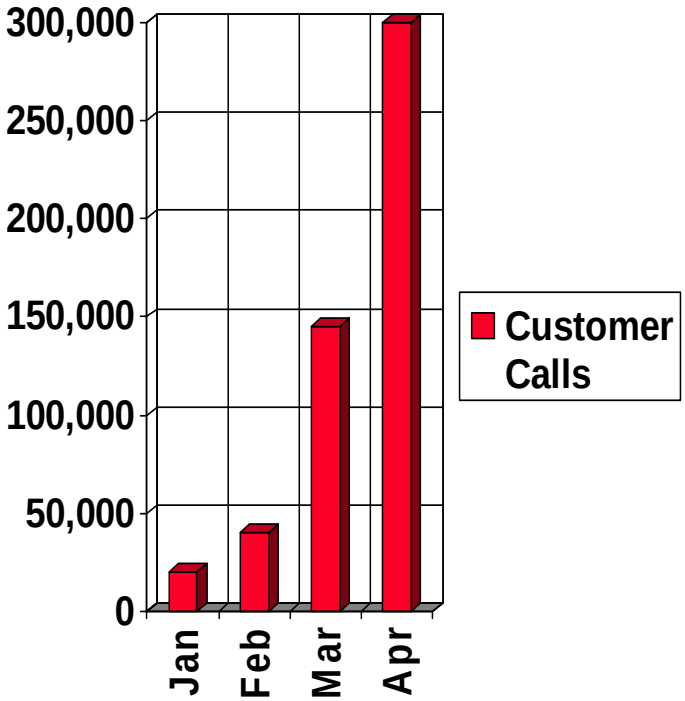
It is imperative that utility staff abandon any outmoded thinking about their customers:

"Sure we have a customer interface system. It happens when we send our customers their bills."

"If customers want to view their consumption, all they have to do is look at the dials on their meters."

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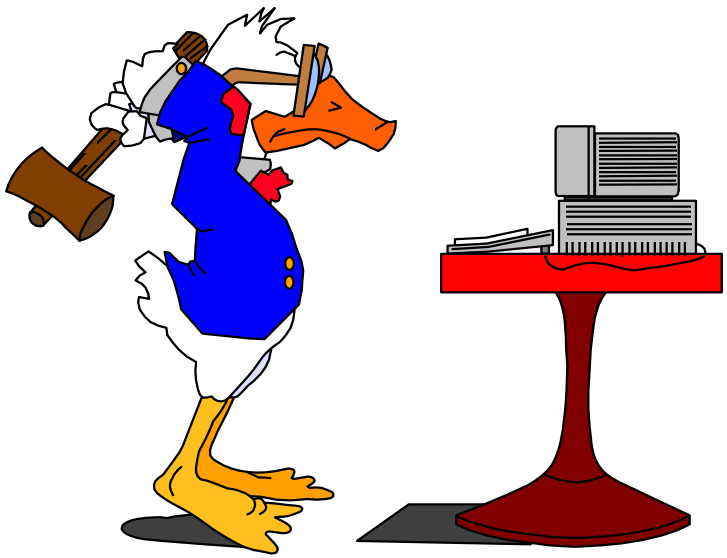
Impacts on Customer Care Activities



- **Increased complexities of supplier choice and new product/service offerings**
- **More knowledgeable and patient customer care staff will be required**
- **Other suppliers of energy commodity and related products/services will require administrative support and care**
- **Despite the choices a customer makes, the utility must maintain/develop positive customer relationships**

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Enhanced Administrative System Challenges



- **System Commodity Supplies**
  - Integrated, electronic systems
  - Telemetering or daily demand forecasts
- **Billing and Accounting**
  - Capability to bill for all services at all levels
  - Capability to bill for other suppliers
  - Internet access, increased Call Center sophistication
- **Customer Information Systems**
  - Customer, energy provider contracts
  - Customer interests/demographics
  - “Cross-selling” information

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Customer Care Staff Challenges



- More time will be required to respond and satisfy customers
- More time implies more staff
- System complexity will require more training, knowledgeable, personable staff
- Overriding pressure to decrease costs

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Provider Administrative Support Challenges

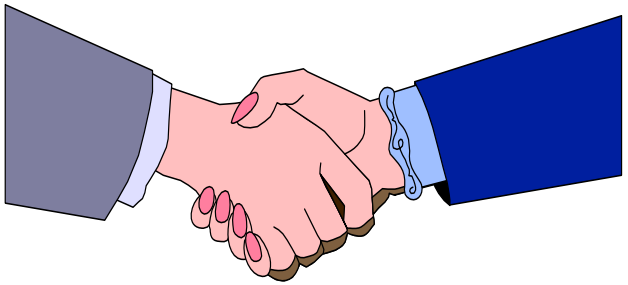
- **Providers are competing for customers**
- **Satisfied providers = Satisfied customers**
- **Managing multiple providers of multiple services**
- **Accommodating a wider variety of transactions**

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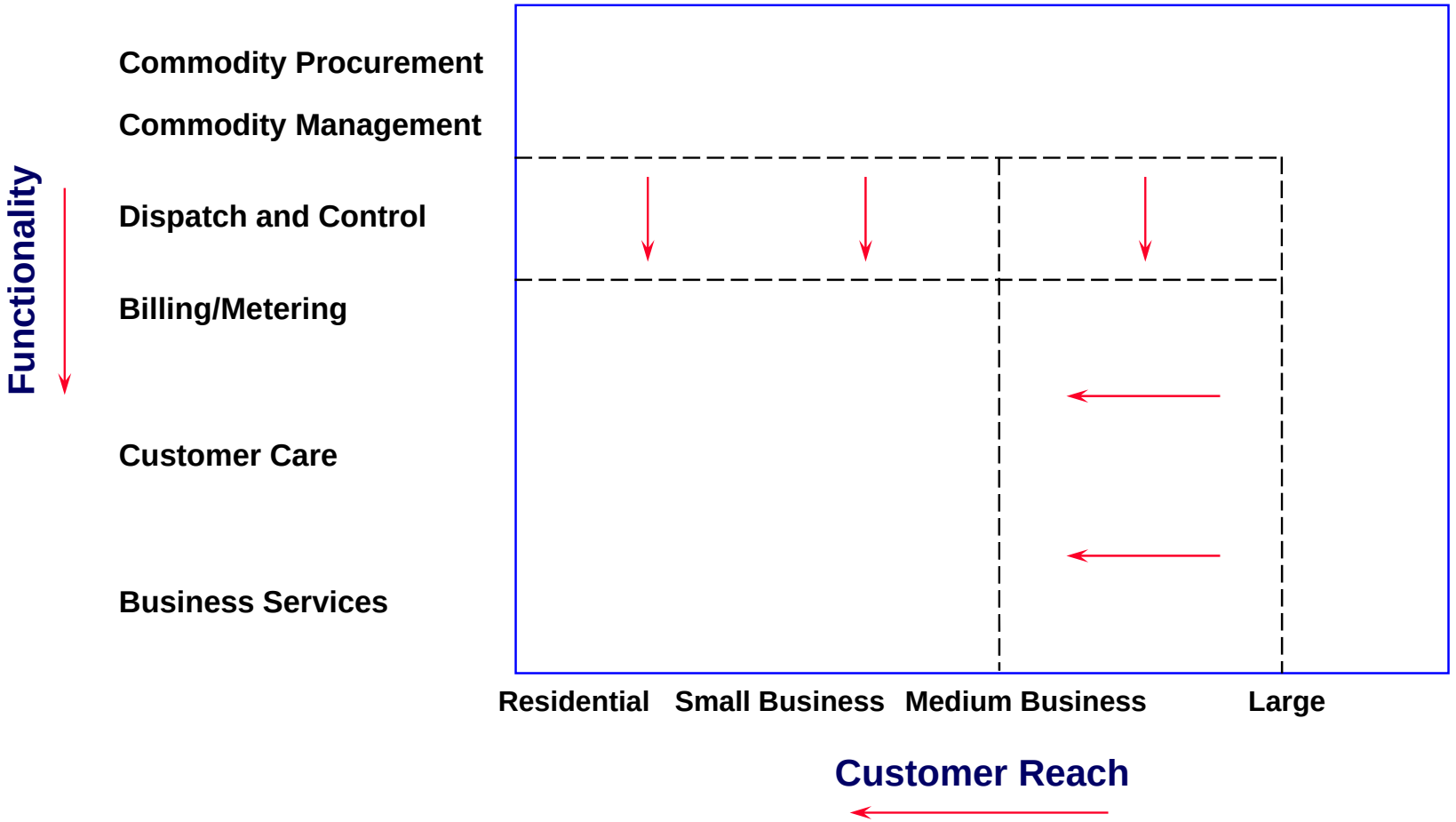
Customer Relationship Challenges

- Other providers may disparage utility reputations
- Other providers may not perform
- Customer education is imperative
- Patience is a virtue



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Outsourcing - a Shrinking Revenue/Cost Stream?



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Critical Strategic Decisions for Customer Care

- **Unbundling/restructuring decisions define future customers**
- **Responsiveness and flexibility require significant system enhancements**
- **Cost pressures will drive quality of service**
- **View as a key strategic opportunity or as a threat to "the way we used to do it"**

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Concluding Remarks

- **Customer care will play a critical role**
- **Internal/external communications are vital**
- **Significant time/funding required to establish administrative support processes**
- **It's the right thing to do for customers**

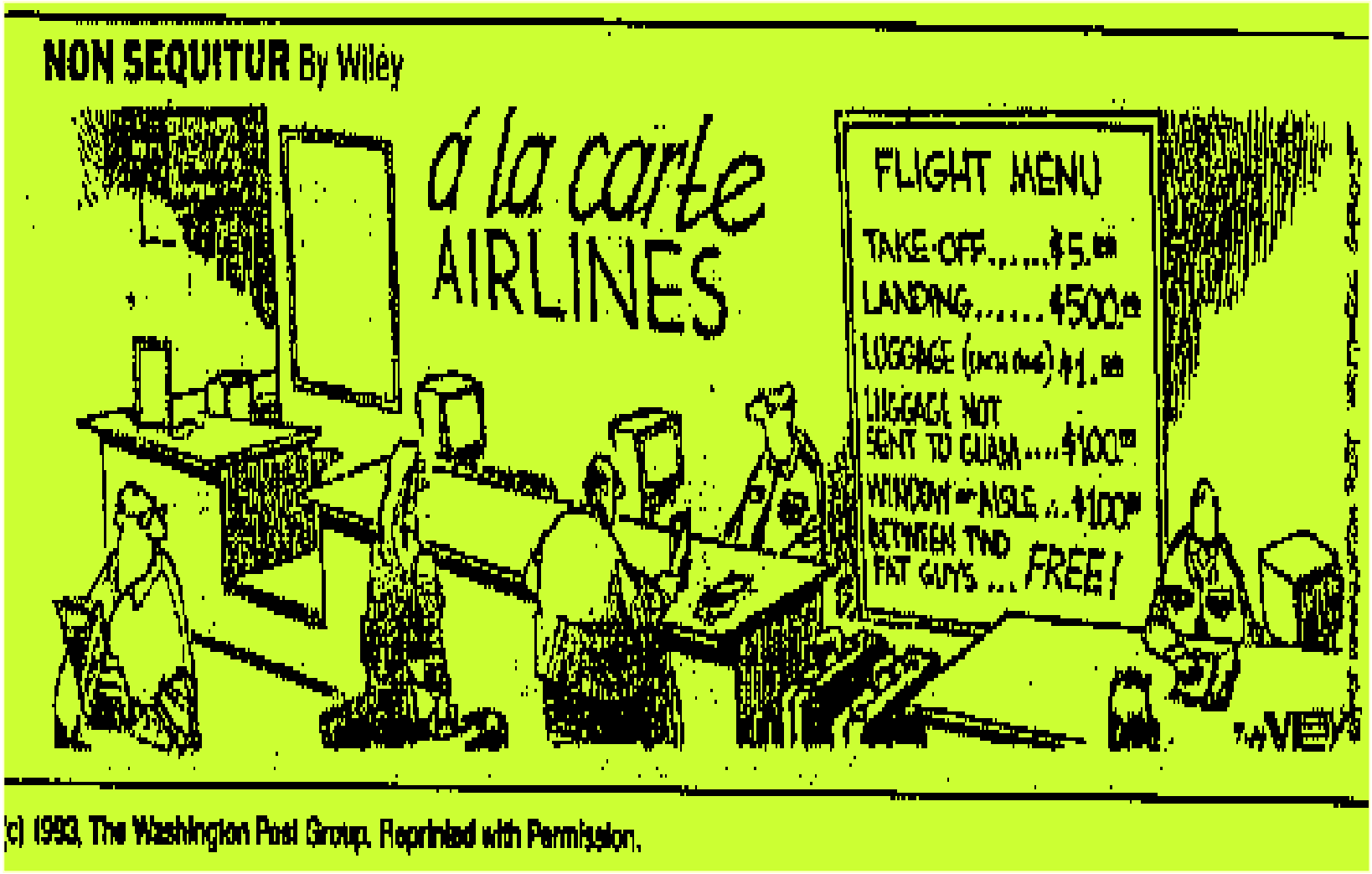
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The Reality of Competition

"In the face of competition, it is those that reach the customer first that have the best opportunity to serve."

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Lessons From the Airline Industry



The services offered must be meaningful ones