

Billing systems under the spotlight as the UK water industry considers 'User-pays'.

The recent OFWAT pricing determinations, combined with the outputs from the Walker/Cave reviews and the DEFRA Water Strategy, have created what is undoubtedly a challenging situation for water utility companies in the UK. Many are now taking a long hard look at their operations to see how they can reengineer their businesses to be more efficient, more customer-focused, and prepared for the 'user-pays' market on the horizon. For some, the move to a new billing and CRM platform will be inevitable to maximise the opportunities presented by these market changes.

In this paper, we outline some of the essential billing system capabilities required for success in any evolving water market, including the UK.

The capping of proposed capital budgets by the regulator has come at a turbulent time for the UK water industry. With many utilities already under financial pressure, the implications of both the recent DEFRA Water Strategy and the independent industry reviews are significant.

Billing and CRM systems under the spotlight

Utilities will have to rein in costs while still ensuring that they have the ability to develop and implement the new charging mechanisms, tariff structures and efficiency programs recommended by the Walker Review. Inevitably, utility billing and customer care operations will come under the spotlight.

In fact data inaccuracy, poor billing performance and a lack of detailed customer information are already having an impact with revenue streams continually being hit by bill disputes and a growing number of non payers.

But despite these issues, the cost and perceived implementation risks associated with rolling out new billing platforms have left too many utilities reluctant to part with outdated technology. As a result, many may find themselves ill-equipped to handle both the anticipated growth in meter data volume and the necessary changes to their billing and CRM processes to meet changing market requirements.

Yielding efficiency and profit gains

A number of water markets worldwide including USA, Germany, France and China with over 85% of the worlds Automated Meter deployments¹, have already shown that utilities can successfully transition to universal smart water metering technologies, without major disruption to their business or customers. Indeed, the timely implementation of a dedicated water billing and CRM system should neither be an unmanageable risk nor a significant cost endeavour. Successful billing and CRM implementations can provide a core platform for driving efficiency gains and profit growth in conjunction with new automated metering technologies – all essential to any water utility in the current economic climate.

Exercise vigilance

Utilities need to be vigilant when reviewing potential solutions to meet their specific needs, now and in the future. Changing metering technologies and regulatory requirements will continually drive utilities to adapt their business processes, and in some cases operating model. Flexibility must be considered as a key criterion throughout the purchasing process.

With the new recommendations in mind, particular care must be taken to review each system's ability to handle volume meter data, introduce flexible tariffs and support true customer centricity. The long term ability of any new investment to support water

¹ The Scott Report: Worldwide Deployments of Automated Metering Devices; Twelfth Edition; April 2009
Howard A. Scott, PHD

conservation targets and adapt to future market changes should also be priority considerations.

Be ready for intelligent water metering

The stress that increased meter based charging, and eventually intelligent metering, will place on a utility's billing system is significant. It will herald an enormous increase in the volume of data; orders of magnitude more meter readings than at present. Even with quarterly reads, water utilities may need to accumulate, store and process millions of data readings per year, and this may move to billions of data points with the arrival of smarter water meters.

Due to this, system performance and proven meter data management functionality are key selection criterion. There is little point investing now in technology that will not support the volumes predicted. Both high volume benchmarks and real world performance figures are essential.

Flexible tariff handling

While metering is undoubtedly a fairer means of charging for water consumption, it will also enable utilities to offer more innovative tariffs to promote water efficiency and conservation. While the use of block and stepped tariffs to prevent excessive consumption have their merits, the social impact on larger vulnerable families needs to be addressed.

The water industry may instead wish to adapt other types of tariffs that have been used successfully in the energy industry, such as seasonal tariffs or rebates. Innovative tariffs can reward reduced consumption below a pre-calculated personalised threshold during a defined critical period. Calculated as an overlay to existing tariff structures, such tariffs ensure all customers are eligible, maximising participation and results, while minimising the impact on households who are unable to change consumption.

The ability to take proven ideas from other markets and implement innovative tariffs structures for targeted sub-segments of your customer base will depend entirely on the flexibility of the billing system and CRM system implemented.

Personalised bills can be powerful

As utility companies have experienced in evolving energy markets, price tariffs alone do not alter a household's consumption habits. Water utilities will require a wider demand response strategy that incorporates a combination of tailored incentives and innovative communications to educate customers and influence behaviours.

In Australia, with one of the world's most challenging water industries, utilities have found that meaningful consumer education is critical to encourage behavioural change. And the printed water bill, once considered as purely a cost to the business, has become for many their most effective tool for promoting water conservation. These same utilities are also using their flexible billing engines with integrated customer information and preferences, to turn quarterly statements into highly relevant and personalised communications.

For example:

- If consumption has changed, utilities can suggest why has it changed (up = weather or occupancy; down = efficiency measures) and compare it to homes of similar occupancy.
- As more granular data becomes available with intelligent metering, utilities can give customers a more 'real-time' view of any savings. Profile and cost of consumption can also be monitored as households move to new tariff options or implement new efficiency measures.

Customer centric billing

The increased onus on reducing growing arrears levels and any move to landlord-based payment responsibility will mean that 'Account Only' based billing will no longer be suitable for the UK water market. To recoup the 23% of debt owed by Leavers and 44% by Renters, water utilities will need to start accurately profiling customers and utilising systems that put the customer at the centre of the billing and collections activities.

A billing system should be able to provide a detailed history of every customer, not just an account. Customers previous addresses should be linked to historical accounts and high risk customers identified from the outset using simple profiling and credit checking. The hierarchy of customers responsible for each account will also need to be handled efficiently, accurately capturing both customer and landlord details. Integrated workflow tools and process engines for collections activities are also essential to ensure that correct processes are followed for any debt recovery action.

Modern billing engines with embedded utility specific CRM and workflow tools eliminate the licensing, implementation and configuration costs associated with generic CRM and workflow applications, keeping the cost to serve low.

Counting the cost

The burden of water conservation will continue to fall on UK water suppliers and rapidly dwindling capital investment will continue to be stretched.

But changing market forces will still require UK water utilities to tackle the issue of aging and increasingly inflexible billing and customer facing systems. Slow adopters will struggle to meet new service level agreements and will end up counting the cost. Inaccurate, late bills and an inability to quickly identify the right bill payer will directly impact relationships with customers and ultimately a utility's bottom line.

Astute utilities are instead taking the time now to evaluate and implement the systems needed to handle the data volumes, flexible tariff structures and new billing hierarchies that every UK water supplier will have to face in the not too distant future. As the meter roll outs and conservation programs gain momentum, these utilities' platforms and processes will be ready, robust, automated and familiar to both staff and customers.

Replacing any back office system is always going to involve risk. But with the cost of inaction now too great, upgrading billing and CRM systems is starting to look like the option that yields the least risk for water utilities looking to evolve with the market and reduce costs to serve while transforming the customer experience.