

POINT OF VIEW

Smart thinking beyond the grid

Rising consumer awareness, mounting regulatory pressures and increasing financial sense are leading energy and utility firms towards the adoption of energy efficient and environmentally friendly working practices. Firms are continuing to differentiate themselves and deliver solutions to customers concerned about climate change and ethical and socially responsible suppliers. And while many consumers are keen on ensuring that energy sources are local and have substantial “green” credentials, cost is still as important as ever.

Energy and utility firms need to be cognizant of their environmental impact, find ways to reduce it, and communicate their actions to their clients. Technology and robust management practices can provide the tools to manage and reduce energy consumption while adding to the bottom line. Moreover, in a time of expanding organizational footprints, increasingly complex geographically dispersed operational centers, and global scale competition, the effective use of technology is critical for keeping enterprises efficient and connected.

To increase system security and efficiency, energy and utility firms must consider investment in infrastructure, both physical and technological. Improved infrastructure allows companies to use available resources more effectively and reduce costs. It can also position companies to help customers better understand their consumption levels, leading to a reduction in demand, especially for peak-load energy supply. Enabling the customer to choose to reduce peak-load energy utilization can free a firm to invest in fewer energy production resources, reducing carbon footprint and cost.

Opportunities for Leveraging Technology

Technology and project management can reduce operational cost in a number of ways. For example,

initiating BPO, data centers, shared services centers, portfolio management, and large-scale business transformation projects yield considerable long-term benefits. Emerging technologies such as virtualization, energy efficiency monitoring, and cloud hosted application services are options worth exploring. Above all, in order to achieve sustainable benefits, a long-term strategy integrating sound technology, personnel, and project management practices needs to be in place.

Investments in technology must be considered within the context of current technology infrastructure, industry standards, and a rapidly changing business climate. For example, in a tightening regulatory environment with increased emphasis on communication strategies and consumer involvement, tools that help firms use information to make decisions are especially valuable. In addition, the need to seamlessly integrate disparate platforms and applications – including customer billing, CRM, analytics, and demand and distribution management – is steadily increasing.

Investing in Infrastructure

Uncertainty about regulation and prices has allowed firms to put off investing in ageing infrastructure, but major upgrades cannot be deferred forever, particularly in the context of growing demand. Prioritizing potential upgrades and formulating a viable project plan are important first steps; however, ensuring that costs are recovered quickly, while simultaneously creating long-term revenue streams, is not a simple task.

Energy efficiency upgrades are a good solution. The common payback period is often under five years; moreover, these enhancements can be used as quick turnaround revenue recovery streams used to fund larger infrastructure needs.

Third-Party Risk Management

Diligent planning, oversight and governance vastly increase the probability of project success. When executives place their trust in a third party, they themselves are still accountable for the risks associated with project failures.

Consider the Deepwater Horizon oil spill in the Gulf of Mexico in mid-2010. Irrespective of BP's claims that Halliburton was largely to blame for the engineering failure which resulted in the largest marine oil spill ever recorded, BP, as the overall owner of the facility, was held accountable for the resulting environmental damage.

Sound third-party risk management practices are critical for identifying and mitigating serious risk. Understanding from the start where and with whom relevant responsibilities and risks lie, having mitigants to manage these and constantly monitoring the relationship will greatly increase the probability of project success, eliminate irresponsible environmental impact and protect brand image.

Importance of Communication

Building a stable infrastructure and effectively deploying new technology is one side of the equation. Dispelling consumer concerns requires an equal if not greater amount of focus, and depends on consistent, clear communication.

For example, smart meters can be a valuable tool for consumers, helping them understand usage patterns and reduce peak grid load, thus saving money and energy. However, as the controversy surrounding the Pacific Gas and Electric Company (PG&E) smart meter installation shows, pushing a new technology onto the consumer without a proper communication strategy can result in significant pushback. In the case of PG&E, consumer concerns, including health hazards, security risks, and device failure have increased costs and damaged the PG&E brand.

THE SATORI PERSPECTIVE

The changing regulatory environment, evolving technologies, increasingly educated consumers, and a push for more environmentally friendly practices will require new approaches to infrastructure, managing risk, and communication. With our strong understanding of the sector and our deep expertise in managing complex projects, we are well-positioned to help energy and utility firms adapt to the changing landscape.

At Satori Consulting, our mission is simple: to work side-by-side with clients to discover opportunities and solve problems. We strive to provide both comprehensive and expert service, mindful of every client's unique needs. Our team of highly-skilled management consultants brings a wealth of industry and functional experience to provide wide-ranging services in project and program management, risk management, change management, organizational effectiveness, strategy and advisory, business process engineering, performance management, and infrastructure and technology.