Unleashing Latent Value in Distribution Utility Businesses™

# USING BENCHMARKS TO INCREASE SALES TO INVESTOR-OWNED UTILITIES

The *Utility Evaluator*™ assembles descriptive and performance data on 138 investorowned electric distribution utilities, enabling standard and custom comparisons on costs, reliability, capital effectiveness, and more against user-defined peer groups.

# Suppliers want to know: How can we get IOUs to appreciate the value of our solutions?

IOU suppliers routinely bemoan the length and variability of the utility sales process. Working through RFIs, RFPs, and regulatory approvals seems to take an eternity, and that's when an IOU has already established a need for a specific offering. Starting from scratch, before a utility has decided a solution is needed, takes even longer.

Utility suppliers attempt to create a sense of urgency among prospective customers, but doing so is difficult. Consulting services, software, and field hardware are all susceptible to IOU indifference and/or changes in direction. To break through, a supplier must embrace an IOU's primary goal: earnings growth. The largest single drivers of IOU earnings are regulators' decisions in rate cases and other regulatory proceedings.

Regulator decisions regarding IOU earnings are based in part on perceptions of utility performance. Increasingly, those perceptions are being informed by the *Utility Evaluator*, a new performance evaluation tool. A supplier who can demonstrate the link between his solutions, IOU performance, and IOU earnings stands a good chance of establishing a sense of urgency.

## What is the *Utility Evaluator*?

Suppliers may be surprised at how infrequently performance has influenced regulator decisions to date. While much publicly-available IOU performance data is available from multiple sources, there have been two primary obstacles to performance evaluation and benchmarking:

- Standardized performance data is not readily available/difficult and costly to collect; and
- Variances in utility characteristics challenges the credibility of benchmarking efforts.

The *Utility Evaluator* is an internet-based application which combines IOU performance data from various sources into a single repository. An intuitive user interface allows any subscriber, including any party to a regulatory proceeding, to conduct comparative performance analyses on multiple performance indicators, including IOU spending and reliability. Significantly, users can define custom peer groups employing any number of relevant characteristics available. Query results are attractively presented and can be printed or exported to MS Excel worksheets for further analysis.

The *Utility Evaluator* solves the challenges of utility performance data access and comparability

(Using benchmarks to increase sales to IOUs, continued)

## The Opportunity

Regulators are increasingly using performance to inform regulatory decisions critical to an IOU's future financial prospects. Suppliers now have an opportunity to examine the same performance data regulators use, helping suppliers link their solutions directly to IOU performance improvement needs and, ultimately, IOU earnings. Suppliers can use benchmarking data for IOU targeting or sales process support in multiple performance areas:

- > Distribution operations efficiency
- Billing and customer service efficiency
- Administrative function efficiency
- Reliability performance
- Capital spending effectiveness
- Customer satisfaction

Perhaps most importantly, descriptive utility characteristics allow users to create custom peer sets for credible performance benchmarking. A partial list of defining characteristics includes:

- Customer density (per line mile/square mile)
- > System capacity factor
- Peak demand (kW per customer)
- Energy intensity (MWh sales/customer/year)
- Scale (peak MW, customer count, MWh)
- Capacity of installed DG (percent of peak)
- Others

#### **How It Works**

The *Utility Evaluator* aggregates and synthesizes descriptive and performance data on hundreds of distribution utilities from publicly-available sources, enabling users to benchmark a utility's performance against customized, relevant peer groups. Data sources include FERC Form 1; EIA Form 861; SEC 10-K; JDPA customer satisfaction survey results; state regulatory filings; and others.

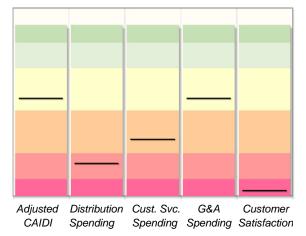
#### **Deliverables**

Subscribers can query utility characteristic, demographic, and performance data to generate valuable and insightful analyses without limitation. Questions subscribers can answer using the application – always in the context of relevant peer groups – include (for hypothetical utility "ABC Energy"):

- ➤ How does ABC Energy compare on CAIDI?
- ➤ What is the trend of ABC Energy's O&M cost per customer over the past 5 years?
- ➤ What percent of ABC Energy's peak demand can be called when needed? At what cost/MW?
- ➤ How does ABC Energy's grid investment per customer compare with that of other utilities?
- ➤ How has ABC Energy's realized Return on Equity trended over the last 5 years?

A typical *Utility Evaluator* chart is shown below, indicating one utility's quartile standing in reliability, various types of spending, and Customer Satisfaction vs. all 138 US IOUs.

# ABC Energy 2015 Performance Dashboard Peer Group: All Utilities



#### About the *Utility Evaluator*

The *Utility Evaluator* was developed by the Wired Group, a leading utility performance consultancy. Contact President Paul Alvarez to request a demonstration or complimentary trial at *palvarez@wiredgroup.net*.