

POINT OF VIEW

Transforming IT capabilities in Energy & Utility organizations

In today's rapidly evolving Energy & Utilities market, IT demands and marketplace pressures result in considerable operational constraints. Organizations must respond by building IT functions that are aligned to overall business objectives while retaining the flexibility to adjust to changing conditions.

Key sector business needs

Organizations are facing increased demand from both consumers and governments for clean, efficient and reliable services. In order to effectively deploy IT to provide the required support, future planning activities have to consider:

- **Operational efficiencies** – a paramount objective
- **Infrastructure flexibility** – the ability to adapt to future demands

Key user & market trends

The IT sector, as ever, is dynamic in nature. Economic drivers and social changes continue to have an impact. Of particular interest are:

- **Fast-growing emerging energy markets produce challenges and opportunities.** The emerging BRIC (Brazil, Russia, India, China) markets are expanding rapidly, which has resulted in a significant increase in the demand for energy
- **Government policy & regulation continues to have an impact.** For example, the EU has approved in excess of 25 separate energy policies to improve market conditions for consumers (with several more under consideration)
- **Merger & acquisition activity is set to continue.** Market liberalization continues to feed M&A activity
- **Climate change initiatives are adjusting market dynamics.** For instance, nuclear power

has reemerged as a method for 'clean' generation

- **Demand patterns and consumer behavior are rapidly shifting.** The changes in energy demand patterns have been especially notable in mature markets

Industry challenges

Challenges continue to materialize at both regional and global levels. Typical concerns for most organizations tend to be internal and operational in nature. Still, executives have to balance external demands with internal constraints and deliver on shareholder expectations. The effective use of IT can enable solutions for key challenges such as:

- **The renewable energy debate.** In a paper published in January 2008, the European Council set two key targets: a 20% share of renewable energies in EU energy consumption by 2020, and a reduction of at least 20% in green-house gases (GHG) by 2020
- **An ageing workforce.** Particularly within the ICT function, the concern is that valuable knowledge will be lost as employees reach retirement age
- **The transition to smart grids.** This will necessitate some technological transformation to allow generators and loads to interact in real-time
- **Meeting the challenge of distributed generation.** Distributed generation involves producing electricity from many small (renewable) energy sources near to where it is to be used, thus reducing the amount of energy lost in transmission
- **The specter of Russia (especially over the European market).** To secure its position as the world's number one exporter of natural gas and number two in oil, Russia has been acquiring additional assets

The role of IT in Energy & Utilities; issues & IT maturity

Most executives understand that market leadership requires a strategic commitment to sustainable business, and the hitherto traditional view of IT as a mere cost center is now long gone. However, that does not necessarily mean that the value of IT is truly appreciated. Although considerably matured, the role of IT in Energy & Utility organizations still has some way to go. If recognized, IT can offer true value in addressing prevailing industry issues:

- The replacement of legacy network infrastructure
- The desire to improve ICT asset management
- The implications for ICT of smart grids and smart metering
- The necessity of building a mission-critical communications infrastructure for operations

Summary recommendations

Satori has developed several recommendations for players in the Energy & Utilities sector who are seeking to make technological developments and enhancements:

- It is clear that organizations are facing a period of investment in new technology, as existing systems reach end-of-life and new initiatives, such as smart metering, demand appropriate solutions
- Organizations must prepare for technology investment
- As part of this investment, organizations must carefully select technology vendor partners with strong track records in technology transformation. This experience should not only have been gained in the Energy & Utilities industry, but from other sectors as well
- The selected vendor(s) chosen to help undertake transformation must possess a comprehensive product and service portfolio

- Any transformation program will involve a multiplicity of technologies and disciplines and potentially impact a considerable portion of the workforce. Therefore, it is vital that appropriate change management practices are effectively implemented from the start

THE SATORI PERSPECTIVE

We believe that the true value of IT can only be realized through an in-depth overhaul – not by incremental change.

The benefits of a transformation are attained by combining people, processes and systems into a new operating model and supporting the transition with a foundational management structure. The four key areas of any transformation program are:

- Executive sponsorship
- Project management
- Organization ownership
- Enablement

THE SATORI DIFFERENCE

Satori Consulting is well-positioned to help Energy & Utilities organizations transform their IT functions. A few of the key advantages of our framework are:

- **Balanced approach.** IT transformations should not just be about reducing cost. We focus on balancing performance and quality with cost and risk
- **Objective perspective.** We are not a systems integrator and have no vested interest in particular hardware or software packages
- **Practical business focus and experience.** IT needs to support the business, not the other way around. We bring practical experience in transforming IT functions to meet organizational needs and objectives

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.