ELECTRIC LIGHT & POWER

Data: Your secret weapon

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The logic behind deregulation is not hard to grasp: open the utility industry to competition, and improvements in efficiency, responsiveness, and price will naturally follow. It's all simple and straightforward. On paper.

Deregulation in practice, however, has revealed a narrow set of options for making significant improvements and changes. The reality of deregulation, even in the most favorable light, is that there's a limit to your ability to cut costs. There's a limit to how efficient you can make your network infrastructure. There's a limit to the level of reliability you are able to achieve. What resource do you have that imposes no such limits? Your data.

Data is what progressive utilities are keeping their eye on because data is fundamental to increasing value and improving competitive advantage. Just as important, data is the key to change.

Breaking out of the box

The goal of deregulation in the utility realm—like the goal of deregulation in the airlines and telecommunications industries—was to spur competition, expand consumer choice, reduce service prices. But deregulation has put utilities in a box where space is cramped and air is tight. Access to data, and creative use of that data, offers a way to break out.

A prime illustration from the telco world is MCI's 1991 "Friends and Family" campaign, which provided discounted rates to long-distance customers based on their most frequently called friends and family members, and which encouraged group sign-ups. This was an unprecedented strategy in the long-distance space, a bold stroke that had an immediate, profound, and far-reaching impact on the market. It didn't so much open the door to new ways of thinking about phone service as knock the door flat.

But the point about "Friends and Family" is this: its effectiveness did not result from a technological breakthrough. It was not made possible by an efficiency enhancement. No new equipment, no network upgrades, no software advances were anywhere in sight. The campaign was effective because MCI used data from its subscribers—specifically, information on the small but numerous clusters of family members and acquaintances that operated at the heart of the Friends and Family concept—in a new, even revolutionary way

that other long-distance carriers could not quickly duplicate. Data, not technology, was the essential agent in MCI's explosive leap forward and in its radical alteration of the long-distance landscape.

Data has that same potential for change in the utility realm. For example, automated meter-reading technology was developed mainly to reduce the number of in-person visits to customer meters. Now, the real-time

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information gained from AMR technology is being used to allow utilities to respond more quickly and with greater precision to outage and crisis situations, thus increasing customer satisfaction and network reliability through the use of existing data, not through new technology. What other ways can AMR data be used to create new products or services?

Similarly, time-of-use rate information allows customers to time their energy use and to reduce their energy costs. How else can you deploy time-of-use data to craft a competitive advantage? What other fresh, innovative, data-centered ideas can we devise to breathe new life into our industry?

A game of chess

The strategic importance given to data is reflected in the moves the big industry players are making. These moves are designed to expand the data-access and data-management options they can offer to utility clients:

- SchlumbergerSema's acquisition of CellNet added real-time wireless data communications to its repertoire of data-management solutions for utilities.
- GE's purchase of Smallworld broadened GE's range of data-management solutions to include data all the way from the power plant to the individual customer's service connection.
- Through its recent acquisition of LineSoft, Itron gains control of a network planning tool that is a key source of new data that will be used throughout a given utility.

In all cases, the goal is to control the data. And what's true for system integrators is true for utilities: control the data and you control decision-making and direction. Data-integration strategies and data-management software tools that help manage and utilize data resources should be at the top of every utility's wish list

Advances in IT, of course, can provide important competitive advantages, at least in the near-term, tactical sense. But systems come and systems go. The real power lies not in technology but in data, to which technology will always be subordinate. Utilities that recognize this fact are the utilities that will chart our future. **ELP**

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