

# UTILITIES RECOVERIES – KEEP UP WITH THE CHANGES

With utilities debts at such high levels, it is important for companies to come up with an effective solution

By Garry Evans

IN recent years, debt recovery has become a high priority for many boards of directors in utility companies.

However, in spite of all of the good work done to limit bad debt, our data indicates it is at an all time high in the UK energy and water industries.

Combining live and final debt across these industries, there is around £3.5bn of 'true' debt – that which is greater than 90 days since bill and not yet written off.

Not only is this a challenge in its own right, but there are also big changes ahead, particularly in the energy sector. All these factors must be taken account of when defining a strategy to deal with the issue of managing utility debt in the coming years.

## The short term

Increases in the cost of raw materials and the wholesale cost of supply means bills are at an all-time high, at the same time that economic conditions have stretched many consumers beyond their means. This has driven an increase in the number of people who cannot pay, as well as the size of average balances.

This is further exacerbated by a lack of effective enforcement options, issues with data quality and legacy, non-specialised technology. All these factors prevent utilities companies from applying the sophisticated, differentiated treatments for 'can pays' and 'can't pays' that they know would drive improvements.

In comparison, financial services organisations, which have always invested heavily in technology for debt recovery, are in a far better position to compete for the lion's share of debtors' available cash.

## Opportunities ahead

Looking further out to the next decade, smart meters have the potential to

revolutionise the live debt situation for energy suppliers.

The ability to switch individuals between credit and pre-payment metering will control runaway consumption and provide a means to recover outstanding debt.

Improved data quality will enable accurate billing, reducing query rates – today, around 10% to 15% of final utility debts result in a query – and will allow the application of sophisticated segmentation to the debt recovery process.

## Non-payment of utility bills will finally have the potential to affect an individual's credit rating and utility companies will be on an equal footing with financial services companies

Smart meters will also bring a particularly significant cross-industry benefit when it comes to managing debt. Real-time, detailed knowledge of the utility consumed by individual customers, coupled with new legislation which requires landlords to provide tenant details, will make sharing information with credit bureaux a reality.

Non-payment of utility bills will finally have the potential to affect an individual's credit rating and utility companies will be on an equal footing with financial services companies.

## The options

Utilities companies will have to introduce significant technological and process changes to ensure they are agile enough to adapt to changing circumstances, while also efficiently managing today's stock of debt.

Quite simply, you can only be as smart as your system allows, so the key question remains: what is the

most cost effective way of investing in your platform and infrastructure?

Any in-house solution involves significant upfront investment and considerable time for implementation before paying back the investment. Building an infrastructure that works effectively in both today's and tomorrow's environment will be an expensive and lengthy process.

Additionally, if something happens that is outside the scope of the platform purchased or built, additional investment will be required.

With such significant changes ahead, it is not possible to accurately predict the future – but it is clear that having the flexibility to change with the times is crucial.

An outsourced model offers relatively little investment at the beginning, a payment structure that focuses on value created and performance, with the option to disengage if the outcomes are not as desired.

Working with an experienced outsourcing partner using a data-driven approach will offer the benefit of well-established, proven processes – right from day one.

It also offers the opportunity to benefit from investment already made in recovery analytics, strategy and execution designed to truly drive continuous improvements in performance. **CCR-2**

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