

Recognizing and Recovering Lost Revenue in the Energy and Utilities Industry

Written by Victoria Keyes, Director, SSA & Company

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Every year, the U.S. Utility Gas and Electric companies leave an estimated \$6 billion on the table - almost 3% of the industry's total revenues. Where does the money go?

Remarkably, the answer is well-known. In every part of the country, faulty energy meters and outright "diversion" of power (theft) deny utility companies money they should be capturing. The cost to individual companies can be in the hundreds of millions of dollars. And yet a recent study found that 40% of Utility Gas and Electric companies fail to make a vigorous effort to stem their losses.

This isn't a technical problem. It's a basic process issue. Many utility companies do not have the detection mechanisms they need to recognize meter faults or energy "diversions." Worse yet, some companies can read the losses, but lack the necessary business processes to do anything about them. This is analogous to capturing a thief on camera, but never bothering to recover the stolen item.

So detection alone is not enough. Utility Gas and Electric companies can best serve shareholders by investing in a revenue recovery process. Internal resources must be dedicated, and competing priorities within divisions like Meter Services, Billing and Investigations must be harmonized. No less important is hiring and training the right people to audit, investigate, work with authorities, and if need be, pursue legal action.

The best approach to getting revenue recovery efforts off the ground is to start simple and focus on the greatest areas of opportunity. This means collecting data that identifies the greatest sources of revenue loss and identifying the primary cause(s) of the loss. Rather than taking a shotgun approach to solving the problem, companies should gather data that specifically targets their greatest sources of loss and then create robust operational processes to solve those issues. By applying a concentrated, focused, and methodical approach to the problem, energy and utility companies can achieve substantial and lasting improvements to their financial performance.