

ADAPTING TO A LIBERALIZED ENERGY MARKET

HOW SAP IS ADDRESSING NEW UTILITY ROLES AND REGULATIONS

In today's liberalized energy market, utility companies must adapt to many new roles and business processes. SAP is working with key players in the utility industry to provide the solutions, guidance, and long-term infrastructure companies need to seize opportunities from these market changes.



Liberalization of the world's energy markets has divided the utility industry's value chain and diversified market participants. It has encouraged utility companies to focus on their core competencies and outsource a variety of other tasks. As utility companies take on roles such as supplier, distributor, or meter operator, they are changing the way the industry models its business processes.

Today's diverse market structure not only challenges utility companies to reorganize their businesses, it also increases their need for effective business-to-business communication. This requires aligning a wide range of new, highly complex business processes. By automating these processes across different market participants, companies like yours can significantly reduce their costs.

The software you select to streamline your processes must meet the regulatory and business requirements of your particular local, regional, or national market. It must also provide the infrastructure you need to address tomorrow's market realities.

Meeting Today's National and Regional Requirements

The SAP® Collaborative Services Management for Utilities package, part of the SAP for Utilities set of solutions, provides the infrastructure and tools needed by all companies that participate in the utility industry – tools that address today's rules, roles, and business processes. The intercompany data

exchange incorporated in this SAP software package can streamline communication among market participants, automate complex business processes, and simplify configuration for local deregulation needs and changing market requirements.

To address the specialties in different liberalized markets, SAP has created the SAP for Utilities Liberalization Competence Center (LCC). The LCC consists of a dedicated team of SAP experts who are working closely with customers in liberalized markets around the world. These experts help customers quickly identify and respond to new market models and rules in various nations and geographic regions.

The LCC has already extended the functionality of the SAP for Utilities set of solutions to accommodate the needs of gas and electric companies in different liberalized markets. These market-specific solutions (so-called IDEX solutions) include, for example, message processing between market partners and various reporting tools.

Key players in each energy market sector are helping define the scope of market-specific solutions. The LCC develops the solutions using SAP methodology and quality assurance strategies. Then, either the SAP Consulting organization or an outside implementation partner installs SAP Collaborative Services Management for Utilities and the market-specific extensions. The LCC offers an option for extended maintenance that supports future regulatory changes.

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Creating an Infrastructure for Tomorrow

In addition to providing traditional solutions, SAP is developing solutions based on service-oriented architecture (enterprise SOA) to support tasks and responsibilities of specialized market roles. These solutions are based on the harmonized market role model defined by the European Forum for Energy Business Information Exchange (eBlX), the European Transmission System

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Operators (ETSO), and the European Federation of Energy Traders (EFET). The enterprise SOA-based solutions will be available in parallel with traditional solutions, allowing you to decide when to adopt the service-oriented architecture and which processes it should support. Because enterprise SOA is built on the SAP NetWeaver® technology platform, it can provide centralized support for the full scope of liberalization

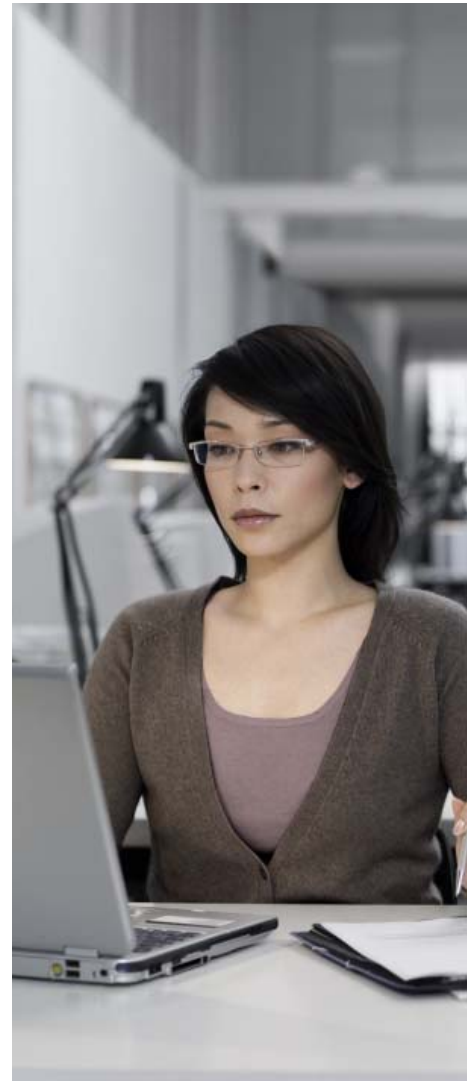
functionality required by the new market roles. It can also streamline software implementation and lower costs. When combined with the market role model, enterprise SOA supports the heterogeneous requirements of different energy markets and efficiently orients business processes to specific market roles.

Gaining Flexibility, Reducing Risk

In addition to achieving greater efficiency and lower costs, utility companies that use the new solutions delivered by the LCC today – and subsequently invest in enterprise SOA infrastructure – gain significant flexibility in adjusting to continually changing legal and business requirements. This flexibility, combined with robust, industry-specific functionality, helps assure that you fully comply with new regulations as they emerge, reducing risk. In addition, your company benefits from streamlined communication and interaction with your business partners.

Making the Most of Liberalization, Today and Tomorrow

The move to liberalization in the energy market offers both challenges and opportunities. SAP has been helping utility companies like yours adapt to a liberalized market since 1998 by supporting the many new business processes and technology structures that have emerged. It will continue to identify and analyze market changes at an early stage and incorporate emerging business trends into its software development planning.



As you add the functionality you need to meet today's market realities, it's important to select software that can help you address tomorrow's realities as well.

To find out more about SAP Collaborative Services Management for Utilities, contact your SAP service representative today or visit us online at www.sap.com/industries/utilities.

Summary

SAP is working with key players in the utility industry to provide the solutions, guidance, and long-term infrastructure that will help them seize the opportunities available in a liberalized energy market.

Challenges

- Adapt to new industry rules, market roles, and business processes
- Accommodate national and regional rule and role variations
- Communicate and interact effectively with business partners
- Gain the flexibility to respond effectively to future industry changes

Examples of Supported Business Processes and Software Functionality

- Supply contract management and related processes, such as start of supply, move-in and move-out, and end of supply
- Grid usage contracting and billing
- Meter-reading services
- Master data distribution
- Energy settlement
- Process and communication monitoring

Business Benefits

- Greater operational efficiency, including better communication with business partners
- Reduced cost and risk
- Greater flexibility
- Regulatory compliance

For More Information

Call your SAP representative or visit us on the Web at www.sap.com/industries/utilities.

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