



In partnership with

Commonwealth Bank
of Australia



NPP and utilities

Transforming the customer experience



As utilities companies strive to meet rapidly evolving customer expectations, boost efficiency, improve cash flow, and reduce the cost to serve, the New Payments Platform offers vast opportunity.

In today's digital, disruptive world, customers not only demand excellent products from the organisations that they engage with, but service efficiency, immediacy, and pre-emptive action to meet their ever-changing needs.

For utilities customers, this translates to an expectation of seamless payment options, no 'bill shock', no unnecessary 'overdue' notices, no misdirected funds, no utility connection time lags after payment, and no lost payments.

"We know in utilities that a large proportion of calls into a contact centre are related to payments, so there is an opportunity to make a step change for customers in this space," says Cassandra Hogan, National Sector Leader, Power & Utilities, KPMG. "We need to ask, what can be done to support utilities and their customers to interact better, to assist in making the payments process flexible and smooth, to better manage cash flow, and enhance the customer experience?"

For these challenges, the New Payments Platform (NPP) represents an opportunity to make a real difference.

A new way to manage payments

The NPP has been developed to revolutionise how Australian payments are facilitated, offering data-rich, near real-time transactions, 24/7.

The NPP promises four key features:



Ubiquitous near real-time payment:

This occurs irrespective of which organisation a customer banks with, within 15 to 20 seconds.



PayID: A new account identifier, which replaces a BSB and account number in a payment, and can be a mobile number, email address, ABN or business name.



Data travels with the payment:

The data fields in a payment message are extensive, and allow the capture of additional information, both structured and unstructured, to be transmitted between the sender and receiver.



Always available: Near real-time payments can be made all day, every day, including weekends and public holidays – 24/7/365.

Drawing on the NPP, utility organisations that leverage the infrastructure can create new experiences to cater for their customers.

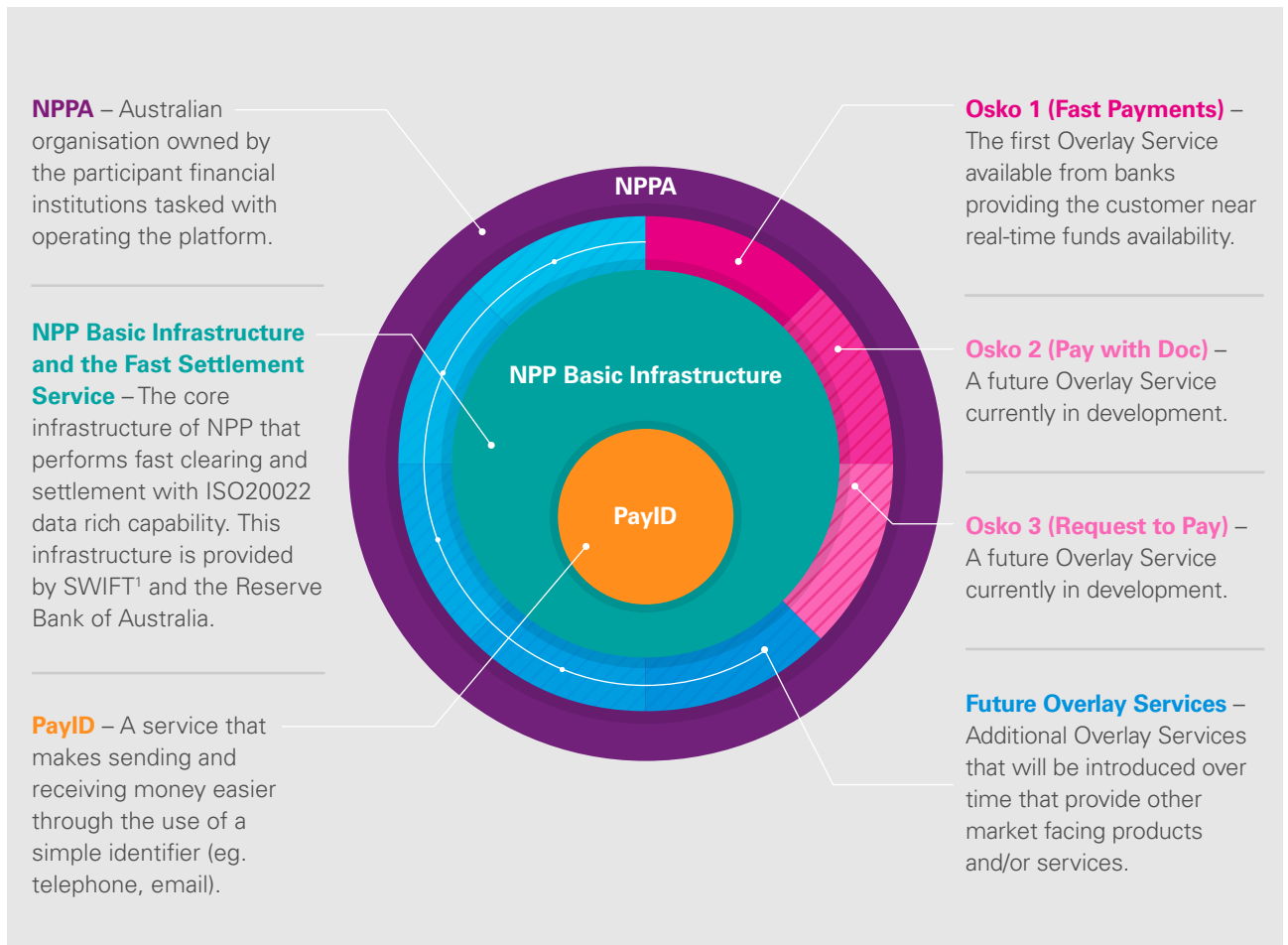


By using the NPP in a combination of ways, how consumers pay their utility bills can be transformed to do more than simply facilitate the payment compared to systems of the past.



Albert Naffah, Managing Director, Strategic Initiatives,
Cash-flow and Transaction Services, Commonwealth Bank

The NPP ecosystem



Source: KPMG

1. SWIFT is a global member-owned cooperative and the world's leading provider of secure financial messaging services

Opportunities for utilities and customers

The NPP has the potential to help improve the payment flow and relationships between utilities and their customers in many ways.

Some examples include:

Real-time payments for efficiency:

A lack of immediacy in payment delivery between customers and utilities can lead to scenarios where a payment reminder is sent to a customer after they have in fact paid. This leads to unnecessary costs, significant call centre volumes and customer dissatisfaction. The near real-time payment capability of the NPP will help to eliminate this friction in the customer experience.

“ The NPP provides a real opportunity for utilities to enhance the customer experience while also providing for productivity and cost savings by improving traditional processes.”

**Brett Watson, Partner,
Payments Advisory, KPMG**

Manage bill shock:

With energy affordability a key priority for consumers, Hogan says customers often face ‘bill shock’ when a large bill arrives – which could be hard to pay on time. Instead, a utility could use smart meter insights (such as monthly/daily consumption) to provide recommendations on how the customer could optimise the tariff they are on, to pre-pay to avoid bill shock, or to help them to establish billing cycles that suit their personal needs. The NPP could help in closely linking usage from smart meters with making payments in real-time, facilitating a better experience between consumer and utilities.

“ The fundamental customer experience here is the greater transparency and control the customer can have, it is reducing the bill shock, enabling them to be able to pay more regularly and smooth that out, to have it be instantaneous, and to not have to enter a 12 digit number to pay – just an email address or phone number.”

**Cassandra Hogan, National Sector Leader,
Power & Utilities, KPMG**



Micro or pre-pay options:

Taking the reduction of bill shock a step further, utilities could combine smart meter readings with the customer’s payment patterns to offer real-time daily payment options through the NPP, micro-payments, easy pre-payments, or bill smoothing to match their pay cycles, for example. The NPP allows for faster, simpler ways of requesting payment without the retailer sending paper invoices to the customer. While there are current regulatory challenges with these ideas, policies will catch up.

“ You could pay every day rather than (for example) \$800 in one transaction. Likewise, if you are generating electricity via a solar system, and feeding it into the grid, you could be paid for it in real time, every day.”

Mike Baldwin, Executive Director, NewTech Product Initiatives, Commonwealth Bank

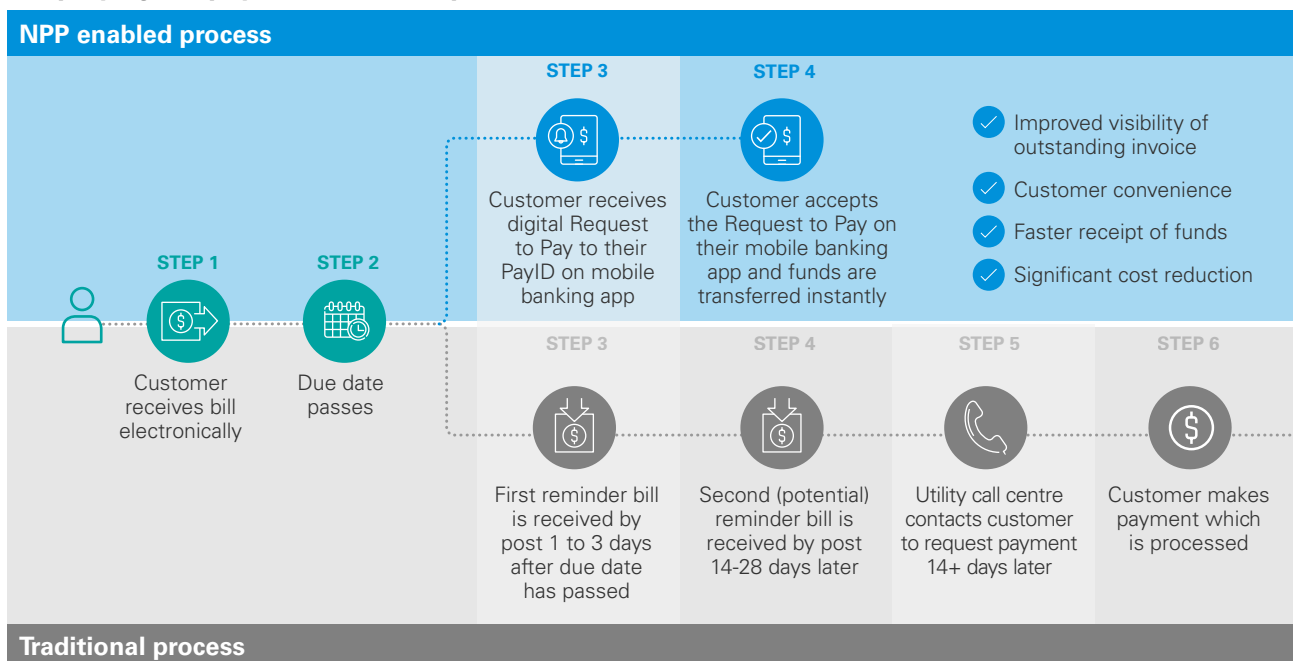
Incentivising slow payers:

When customers are slow to pay, it can be costly for utilities to send reminders-to-pay via paper or SMS. Or when a direct debit fails due to a lack of funds in an account, it can cost the consumer, and the utility, to rectify it. With the NPP, organisations can engage a ‘Request to Pay’ Overlay Service, which is being designed between BPAY and major banks, through which payment requests are sent directly to a customer’s banking app on their phone. There could be a discount incentive to ‘click and pay’ on time, and that payment could be immediately lodged with the utility. Watson says the NPP enables customer-centric functionality to be created with ease, such as these real-time incentives and discounting.

“ It enables organisations to address core challenges which were not possible through existing payment infrastructure. Effectively using existing Overlay Services could have a direct and significant impact on utilities’ cost bases if correctly designed and integrated.”

Brett Watson, Partner, Payments Advisory, KPMG

Simplifying the payment reminder process





Reliable reconciliation:

Often customers enter a reference number in payments incorrectly, wasting time, cost, and requiring excess administration. In fact, Malcolm Jull, Director, Transaction Banking Solutions, Commonwealth Bank, says eight percent of customers fall into this trap. Instead, by using NPP's Request to Pay functionality, the utility can include a reference number that stays with the request, and subsequent payment, without the customer ever having to enter an identifier, easing reconciliation issues. They can simply accept the payment as presented to them in their banking app. In addition, since the Request to Pay is addressed to the customer's PayID, it can help when a customer moves to a new address, making the switching process much easier. Further, this would reduce the complexity of reconciling payments in the back office, particularly when discount incentives are offered for on-time payments.

Extending this further, a utility provider could initiate a payment request after reaching a trigger point (e.g. end of the week or when \$100 of electricity is consumed) and have the request automatically approved based on prior consent provided by the customer. This would generate the bill and complete the payment in near real-time, while reconciling automatically in the back office.

“With an email address or a phone number, everyone can remember it. This removes processing time and pain, and means retailers can refocus energy and time on the customer experience.”

**Malcolm Jull, Director,
Transaction Banking Solutions,
Commonwealth Bank**



The NPP's features can improve processes for utilities and create better customer experiences. The NPP's features of being faster, always available, simple addressing, and better information, can be combined in many ways to help utilities and customers. They will really only discover how much can be done after they start using the service.”

**Mike Baldwin, Executive Director,
NewTech Product Initiatives,
Commonwealth Bank**

The B2B potential

The NPP not only has potential to smooth out payments between the retailer and customer, but also between the retailer and energy generators, other retailers, the Australian Energy Market Operators (AEMO), and other industry networks.

Some examples include:



Pooling payments from retailers to AEMO for wholesale energy consumption (currently each week of consumption is paid four weeks in arrears to allow validation of invoice).



To smooth out network payments from retailer to distributor (invoices are issued by the distributor to the retailer on a monthly basis).



The NPP's future electronic invoicing capabilities, which utilise the NPP's rich data capabilities (numerous fields of data can be included in the payment message), could also improve the AEMO payments process. The payment request or payment can contain vast amounts of structured data in the transaction payload, to allow for automatic payment reconciliation, and more timely payments – ensuring a more efficient use of working capital by participants in the market.

Looking even further ahead

What if the NPP could help energy retailers facilitate a web of virtual power stations, energy trading, and peer-to-peer trading? While regulation would need to match, the possibilities are vast.

Quality customer communications

With payments streamlined, and the customer gaining visibility and control of their utilities usage and payments, there is potential for utilities to focus efforts on more positive interactions with the customer.

Hogan says: “Typically utilities-to-customer interactions are when the utilities is seeking payment, and it can at times be a negative experience. If you can make that an easy and simple process there is a benefit.”

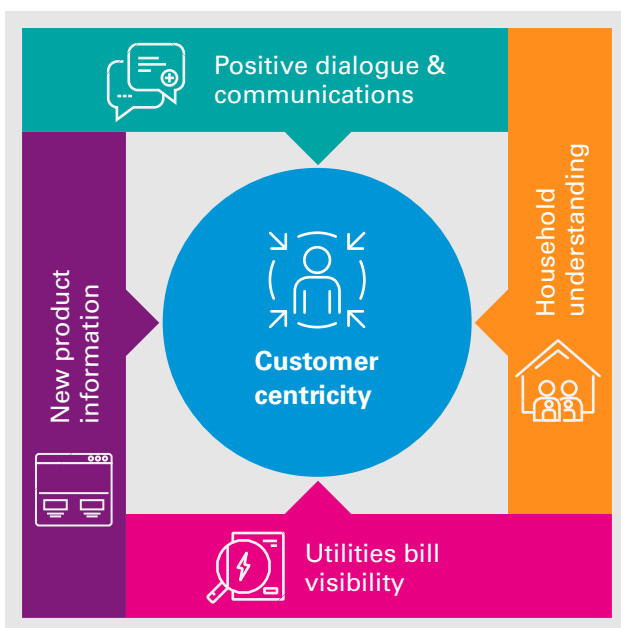
Scott Young, Executive Director, Infrastructure, Commonwealth Bank, suggests that instead, more targeted and positive interactions could occur.

“Retailers can explore, ‘How can I effectively manage all of my client’s energy and broader household expenditure?’” he says.

A service that offers household bill splitting could help a retailer gain more understanding into the breadth of its customers beyond the initial bill payer. That could

lead to more effective marketing – which could be sent along with the NPP payment alert, such as information on new products, or a link to a useful website.

Mark Hassell, Partner, Customer, Brand and Marketing Advisory, KPMG, says: “In the age of the customer, the organisations that not only meet rapidly changing customer expectations, but are in a position to pre-empt their every need, will be the ones equipped to survive. The NPP technology has the potential to deliver innovation in the utilities sector, providing customers with speed of delivery and quality in every interaction with their service provider.”



Customer expectations have already changed. Speed, convenience and simplicity is how people now expect things to work. The NPP can help utilities to deliver where customer expectations are, and to be seen as a modern, relevant, leading retailer.”

Malcolm Jull, Director,
Transaction Banking Solutions,
Commonwealth Bank

An NPP-powered future

With the NPP available, the opportunities to improve the customer experience are there for the taking.

“The technology will change, the stream of payments will change, the number of people you have allocated to different capabilities will need to change, so you have to be proactive and think about the possibilities this provides to consumers. Think about how you measure performance in your business, what good looks like, what the cash flow improvements will mean in terms of opportunity to reinvest, the impact on your governance structure, privacy and cyber risk,” Hogan says.

The benefits for utilities could be receiving more regular payments, better cash flow, and fewer call centre issues, providing more innovative solutions/options to customers, and fostering much more positive customer relationships.

And for customers, ease of payments, more transparency over consumption and tariff data, better interactions with their utilities providers, and more tailored services will improve their experiences, and in turn foster much needed loyalty in a competitive market.

The availability of a real-time, 24/7 payments system may lead to the creation of new utility products and services, and drive greater competition. Imagine a world where multiple energy retailers bid for a consumer’s daily energy needs, which they can choose and pay for immediately. The provider and consumer benefits are potentially endless.



Now is the time for utilities to start thinking about the customer experiences they could offer – and how these will impact their operating model and the required skill sets of their people.”

**Cassandra Hogan, National Sector Leader,
Power & Utilities, KPMG**

Benefits for each party:

Utilities

- ✓ Receiving more regular payments
- ✓ Better cash flow
- ✓ Fewer call centre issues
- ✓ Providing more innovative solutions/options to customers
- ✓ More positive customer relationships
- ✓ Easier reconciliation process using PayID

Customers

- ✓ Ease of payments – one click pay or automated
- ✓ More transparency over consumption and tariff data
- ✓ Better interactions with their utilities providers
- ✓ More tailored services will improve their experiences
- ✓ Flexibility to choose different payment options to better manage cashflow

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