BAA Utility Strategy - Summary

BAA has a utility business that spends approximately £70M on electricity, gas, water and associated infrastructure, manages an income in excess of £35M and operates assets valued in excess of £300M. The business interacts with an external industry that is subject to substantial and accelerating change, moving from nationalised Boards to private, vertically integrated companies and onwards towards the world's first fully de-regulated traded utility markets.

The importance of managing this business more effectively was recognised by the Airports Board in August 1999 with the formulation of the Group Utilities Strategy Committee. Having considered a variety of strategic options, the group concluded that, although utility management is not core to BAA, it should continue to own the process as a key contributor to the effectiveness of the airports business. A full out-source solution was not considered appropriate due to the key criticality of security of supply, customer interfaces and environmental objectives. This option was also considered inappropriate in the light of an immature external market. A review of best practice indicated that "Do Nothing" was not an option either with BAA falling well below the standard required for a company with such a large exposure to utilities. The group agreed a six-point strategy comprising:

- Organisation Development - transforming the organisation to focus on key utility issues as part of the overall business process,
- Customer Management - addressing the threats and opportunities presented by the forthcoming Utility Act and Competition Commission review,
- Energy Sourcing - developing commercial arrangements to achieve the best energy mix to satisfy the company's environmental and economic objectives for the future,
- Utility Measurement - developing a utility measurement solution to enable the company and it's customers to make a step change in reducing utility consumption,
- Education - creating an energy focused culture in the company by continuous education and communication initiatives,
- Asset Management - improving the environmental, economic and technical performance of utility assets in partnership with experts in this field.