

BAA Utilities

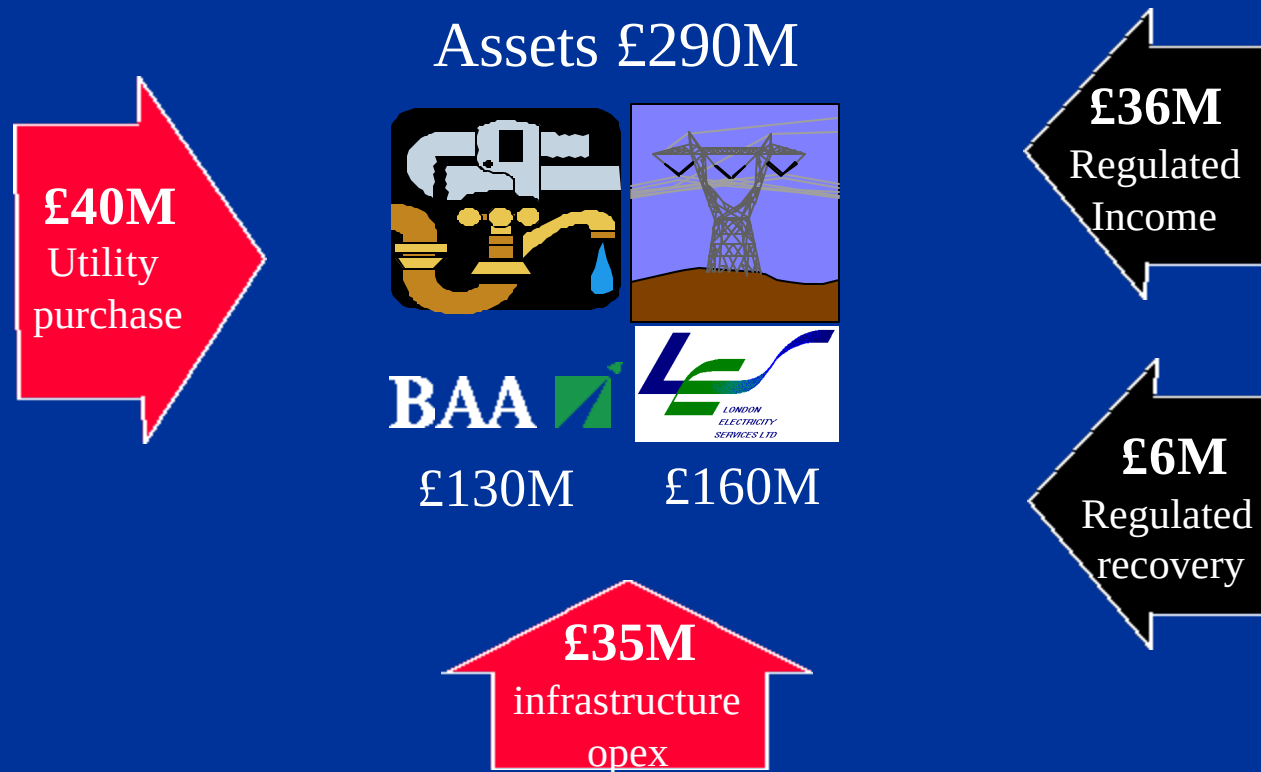
Development Strategy

Shaun McCarthy

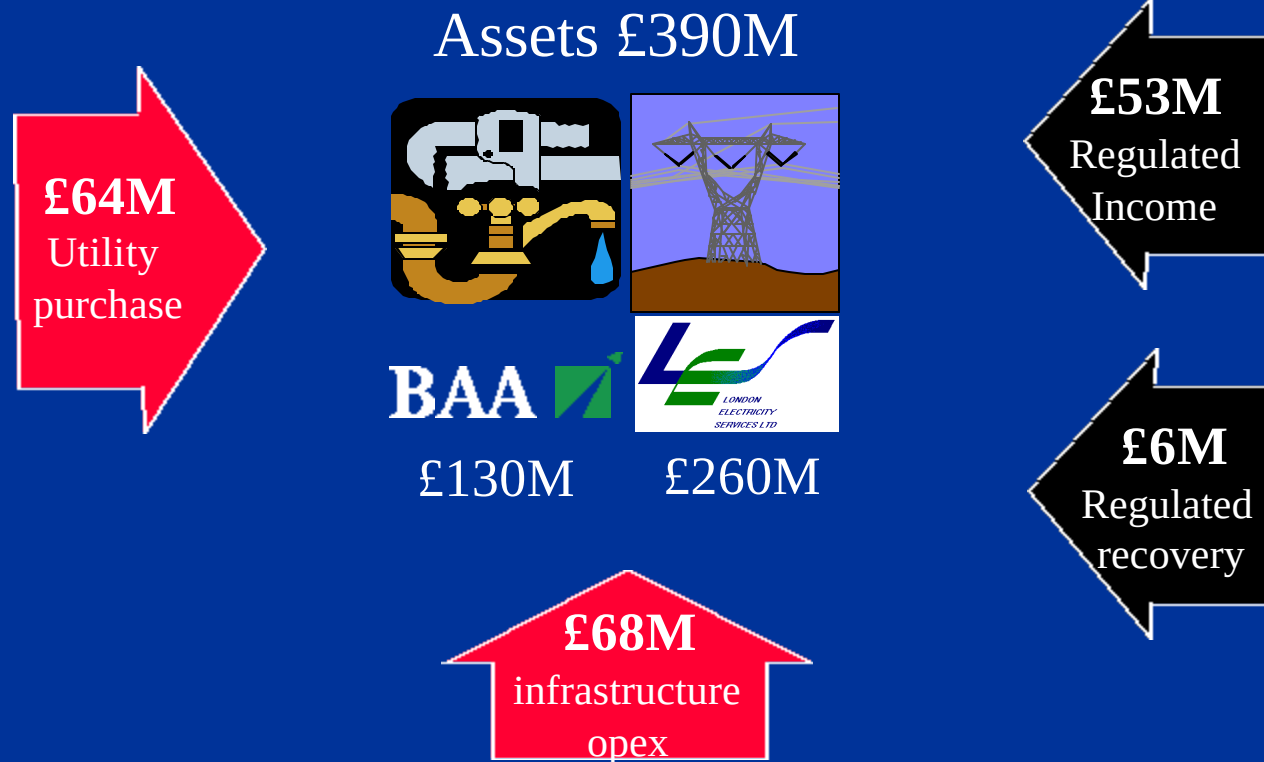
Head of Group Utilities

BAA PLC

Dimensions today

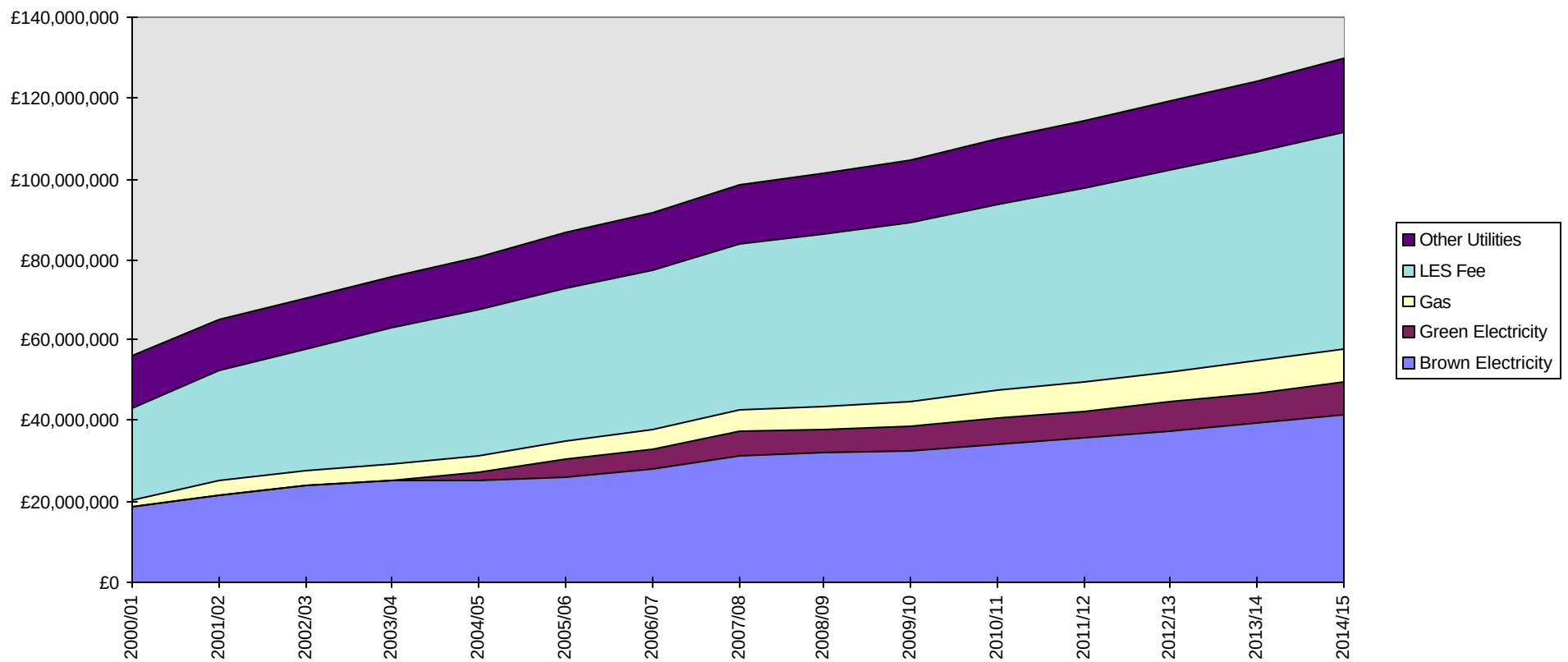


Dimensions 2015



Dimensions 2015

BAA Utilities Spend - 15 Year Forecast



Successes to date

Buying

Group buying strategy
Buy club with BA
Savings £2M 99/00
Savings £6M+ 00/01

Payment

Payment audit
£230K claim agreed
More to come

Billing

New software
Consistent process
£1M+ back bills

LES

New deal with LES
Improved investment rate
Closer partnership

Conservation

CO2 targets achieved
£1M+ saving

Vehicle fuel

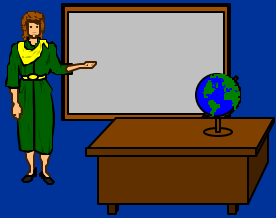
Buy club with BA
£100K pa saving

£13M total savings in less than 2 years

What “Good” Looks Like



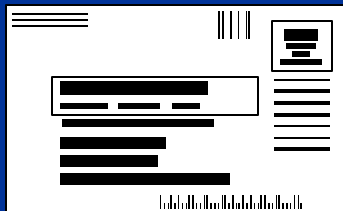
Common features - best practice...



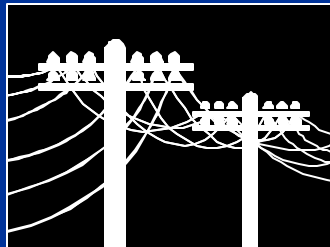
Focused education



Small, central, energy team
De-centralised budgets



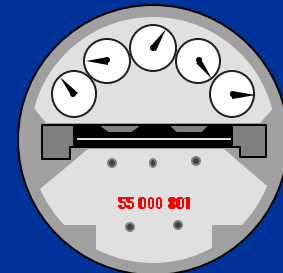
Focus on billing



Environmental sourcing

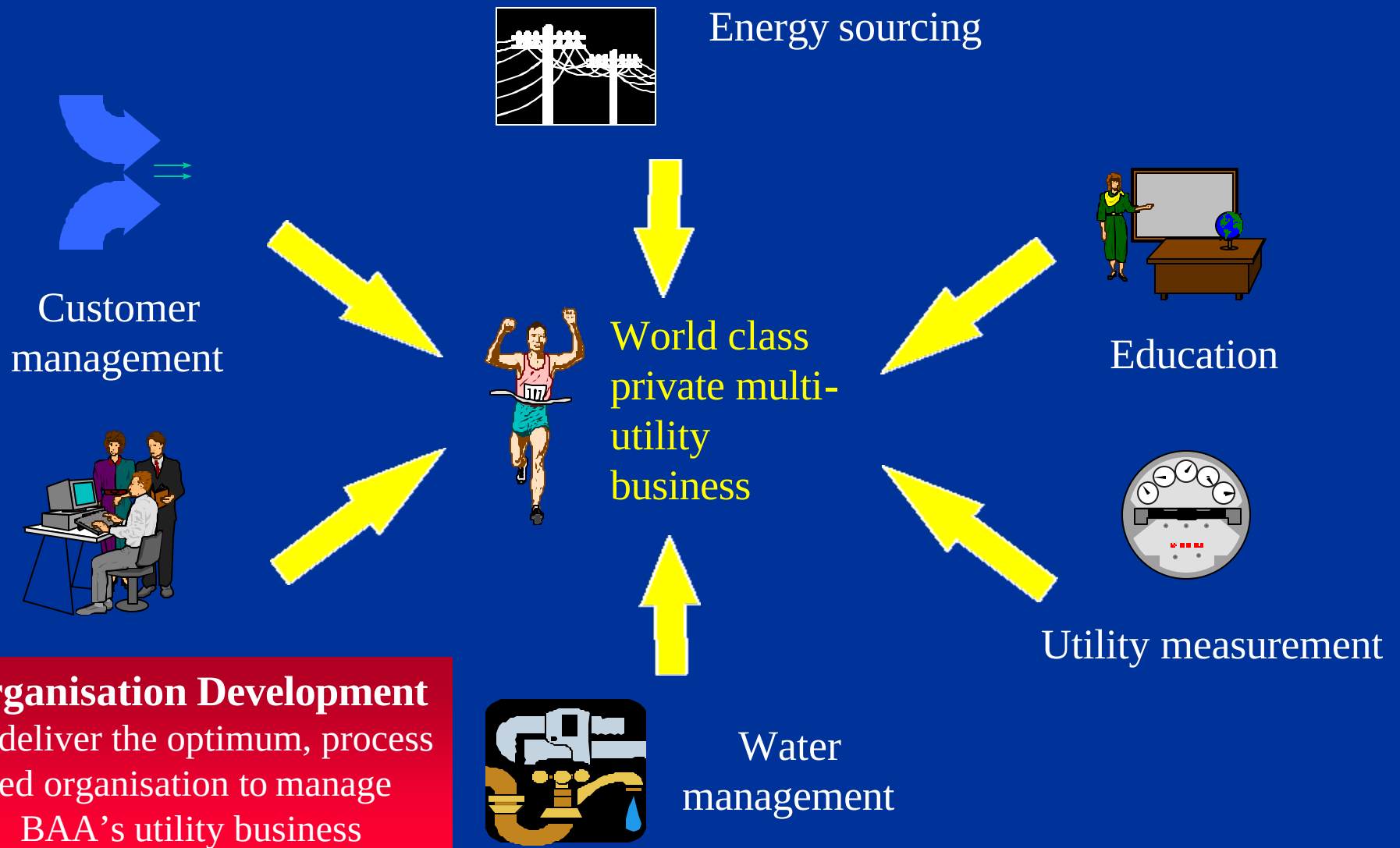


Out-source data management

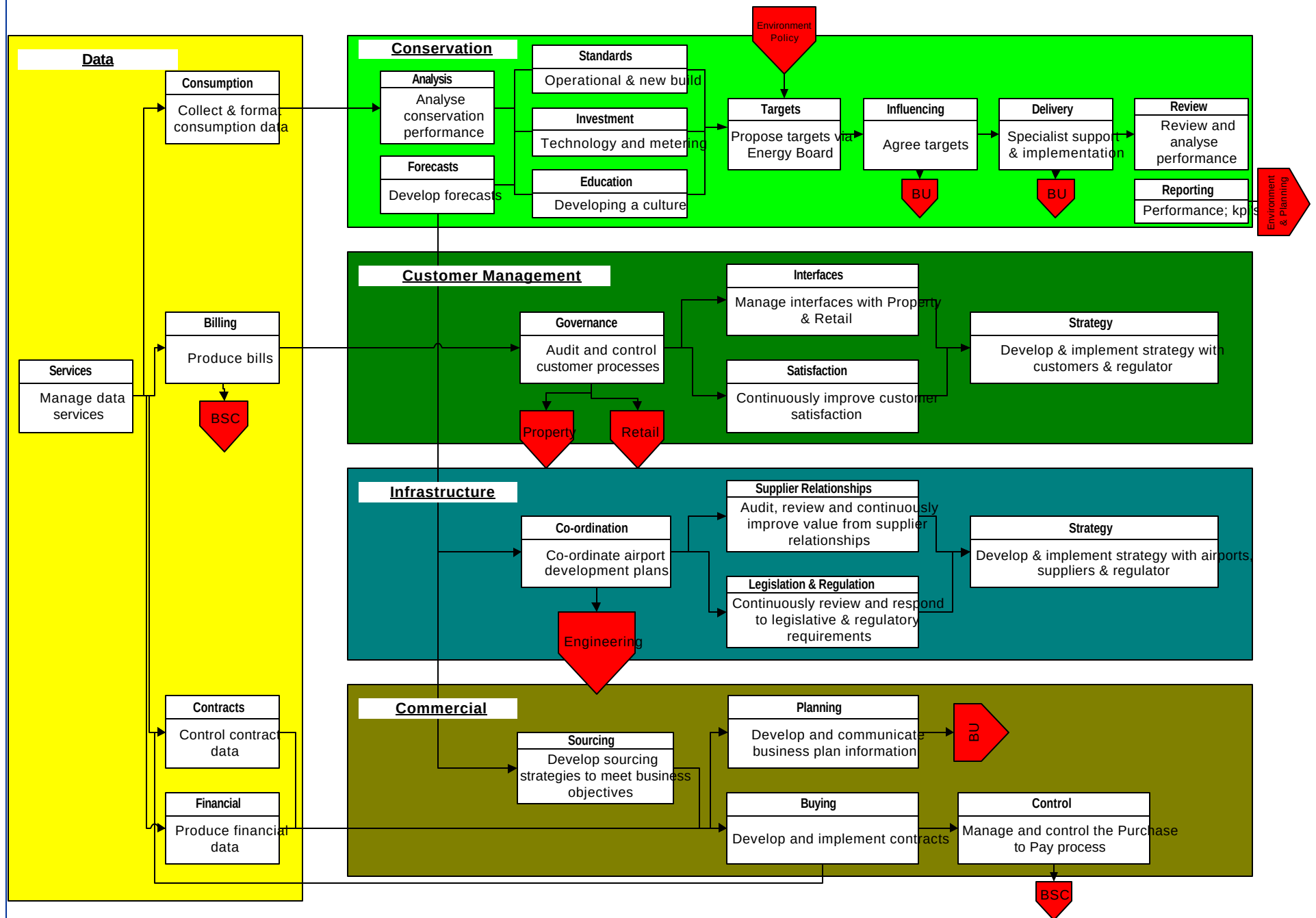


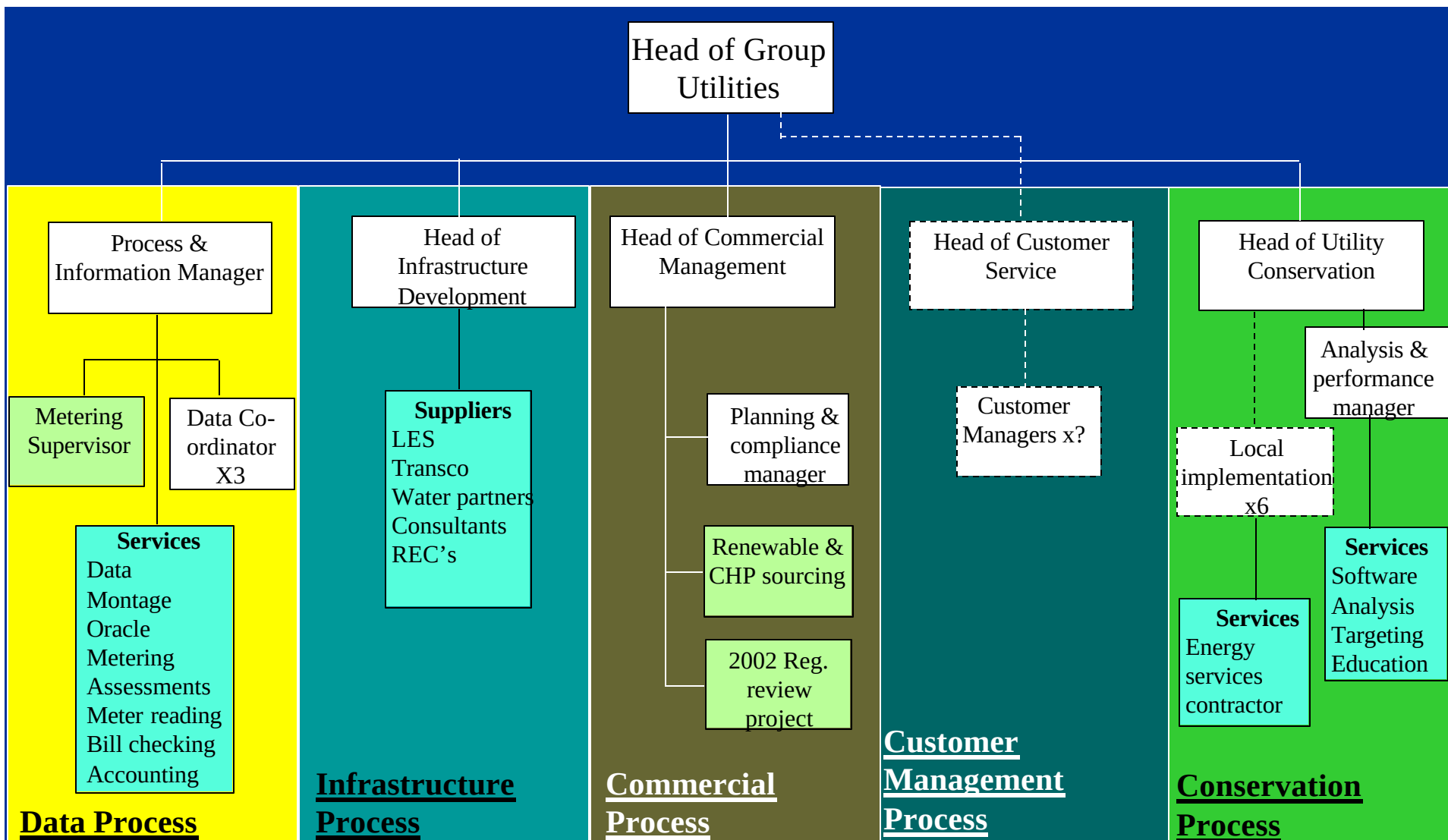
Extensive sub-metering

Strategic Priorities



BAA Utilities - Level 0 Process





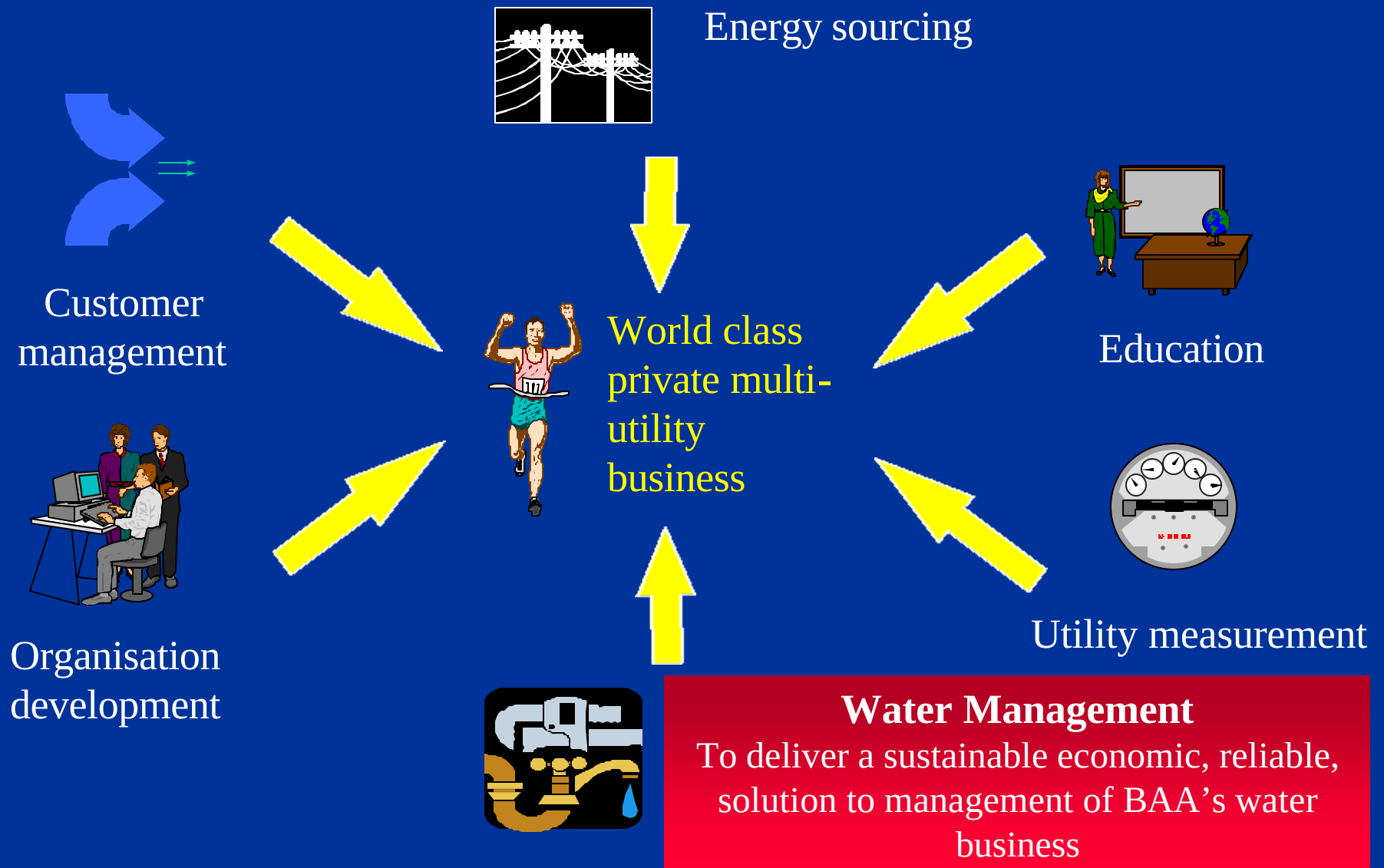
BAA permanent position

Services
External services

BAA transition position (2 years max.)

BAA Utilities - Proposed Organisation Structure

Strategic Priorities





Opportunities

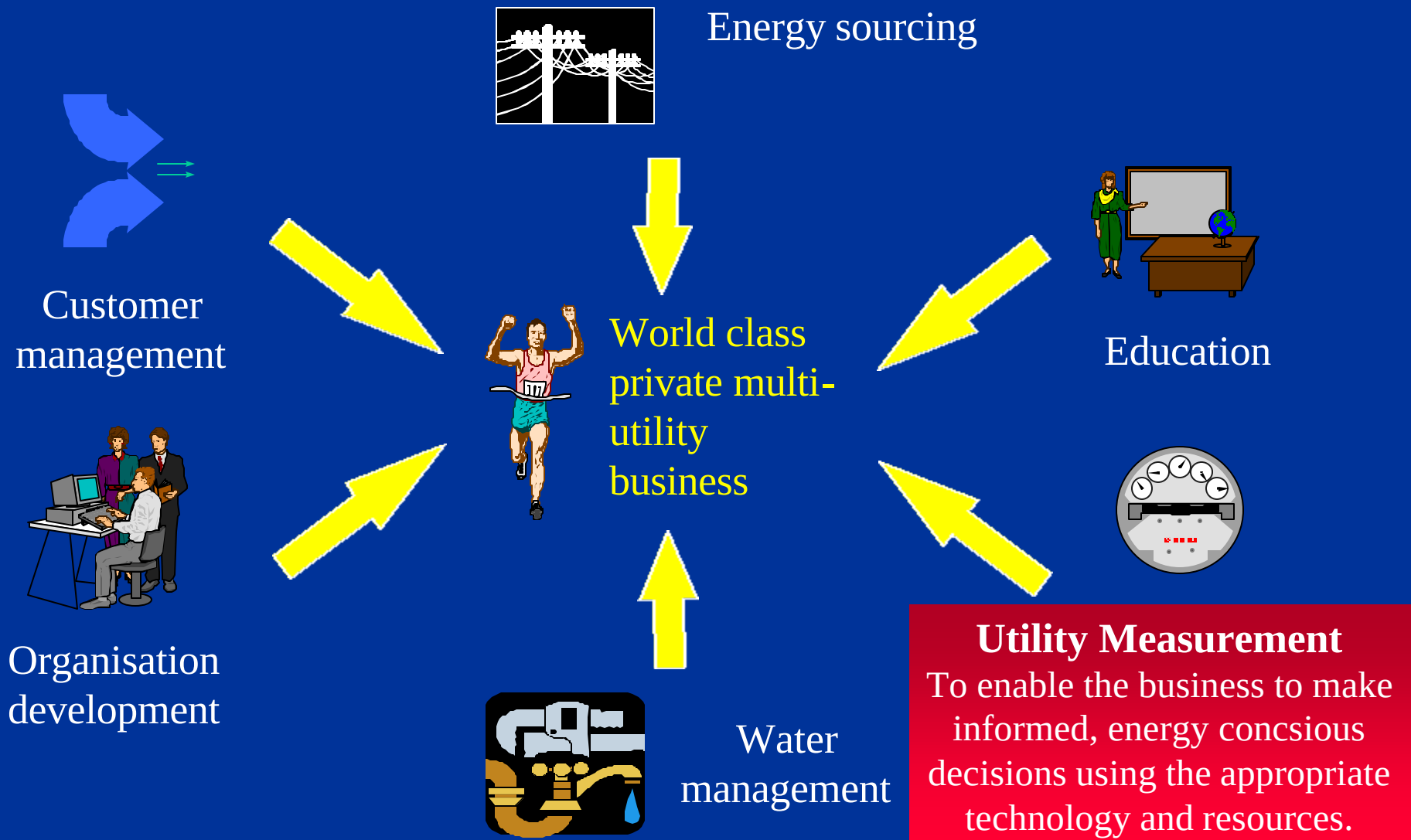
- £1M operational savings
 - Effective network management
 - Procurement
 - Local treatment options
 - Income improvement

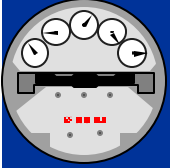


The way forward...

- Dip our toe in to partnerships
 - Informal partnerships - benefit share
 - Until end March 2002
 - With:
 - Vivendi - Stansted
 - East of Scotland Water - Scotland
- Influence water competition
 - Address when there is a truly competitive market
 - Treat supply as a separate issue from partnership

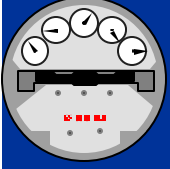
Strategic Priorities



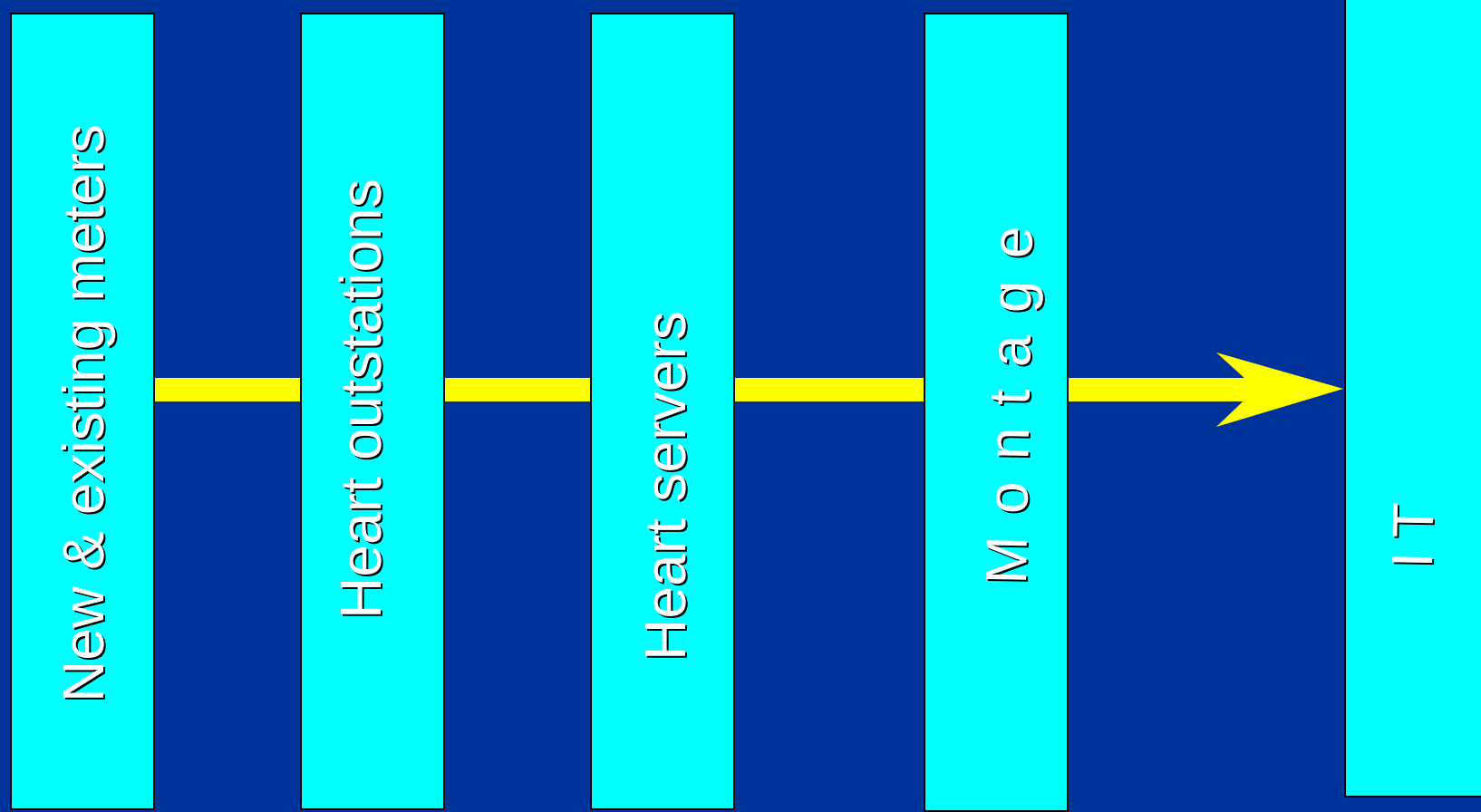


T2 enManage Programme

- Aims to:
- Introduce meters into terminal
- Correlate against other data
- Stimulate management actions & review
- Stimulate investment programme



System Hierarchy



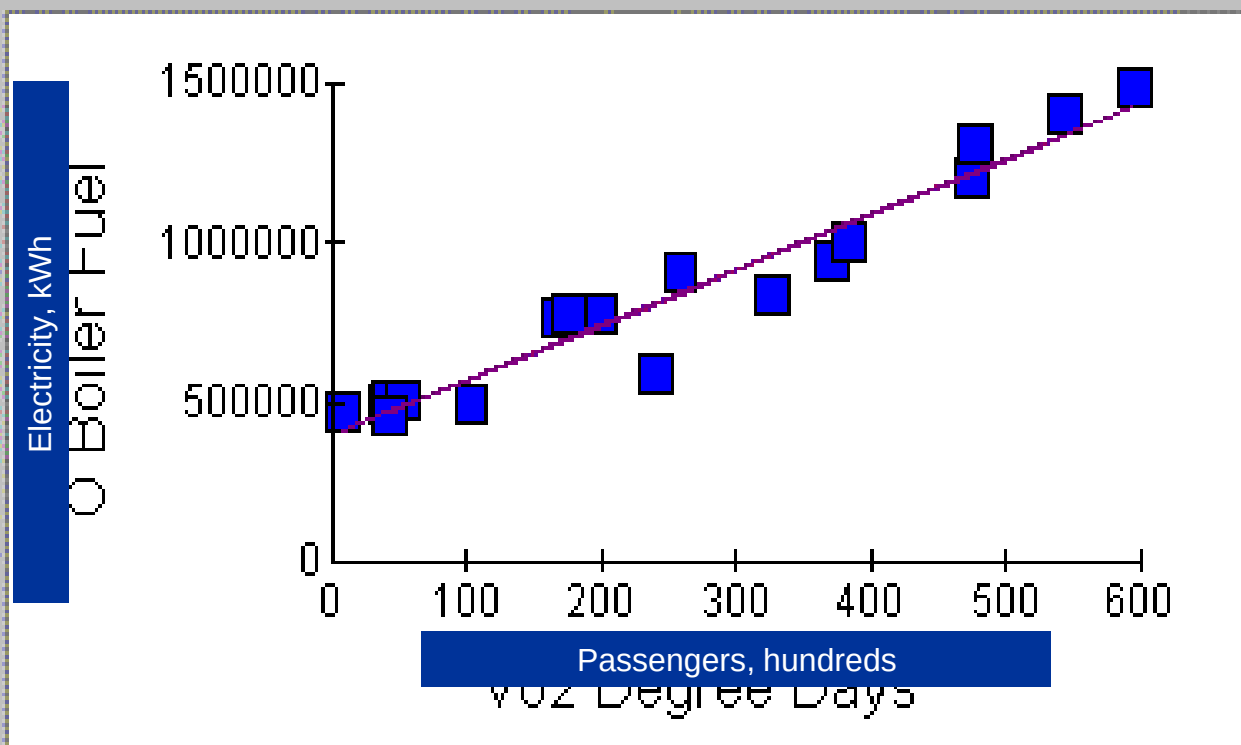
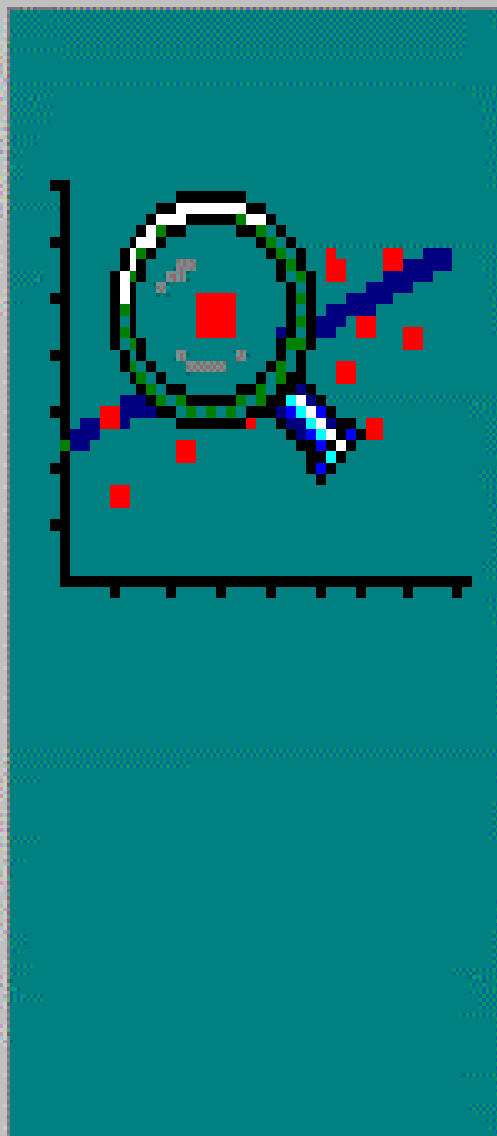
Target Setting Wizard



Results

Graph

Log



Intercept:

397890

Slope:

1726.9

☐ Hide line to exclude points

☒ Show excluded points

Paste Tgt

Paste Std

Settings

< Prev

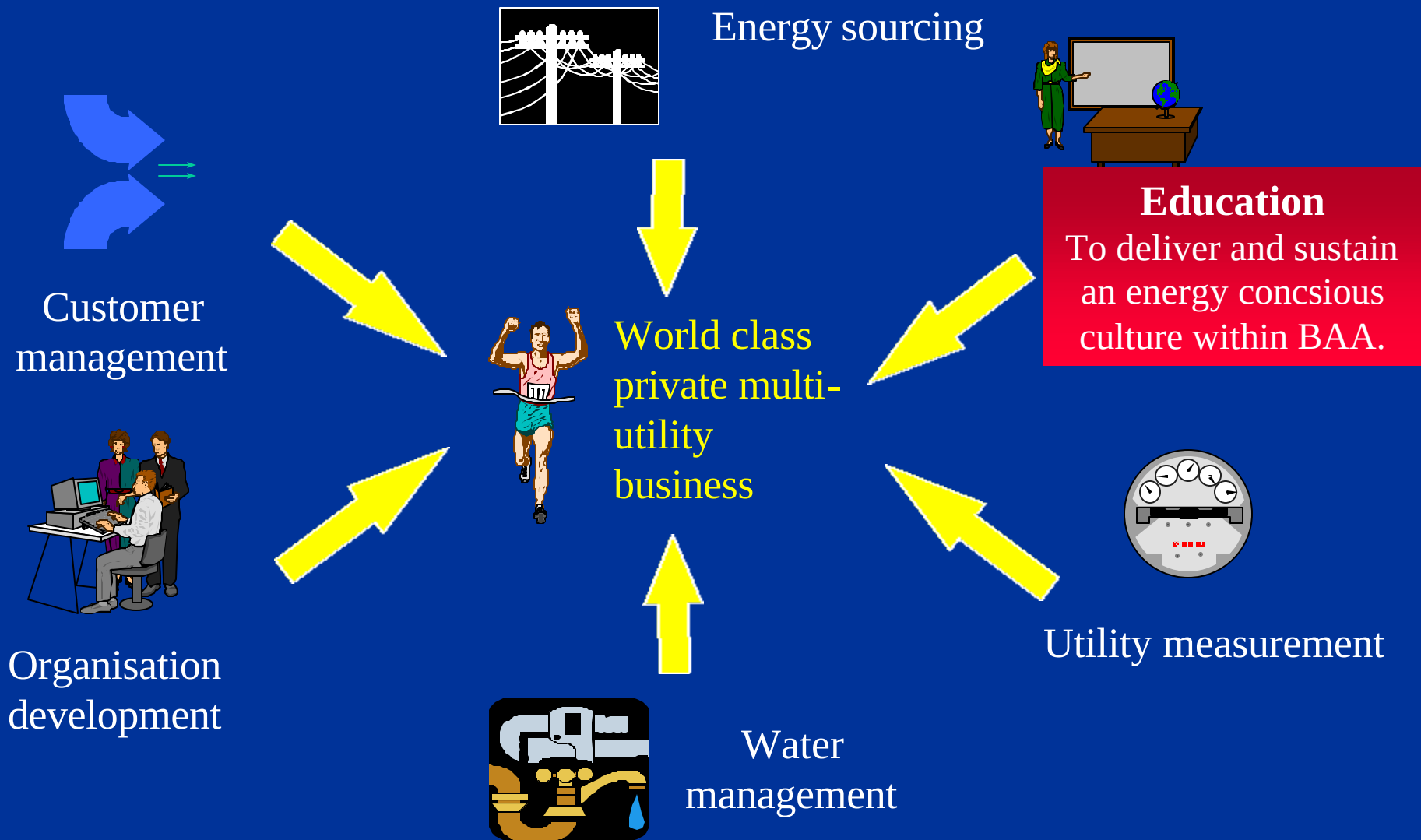
Next >

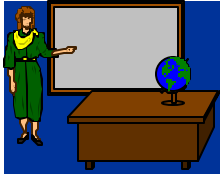
OK

Cancel

Help

Strategic Priorities





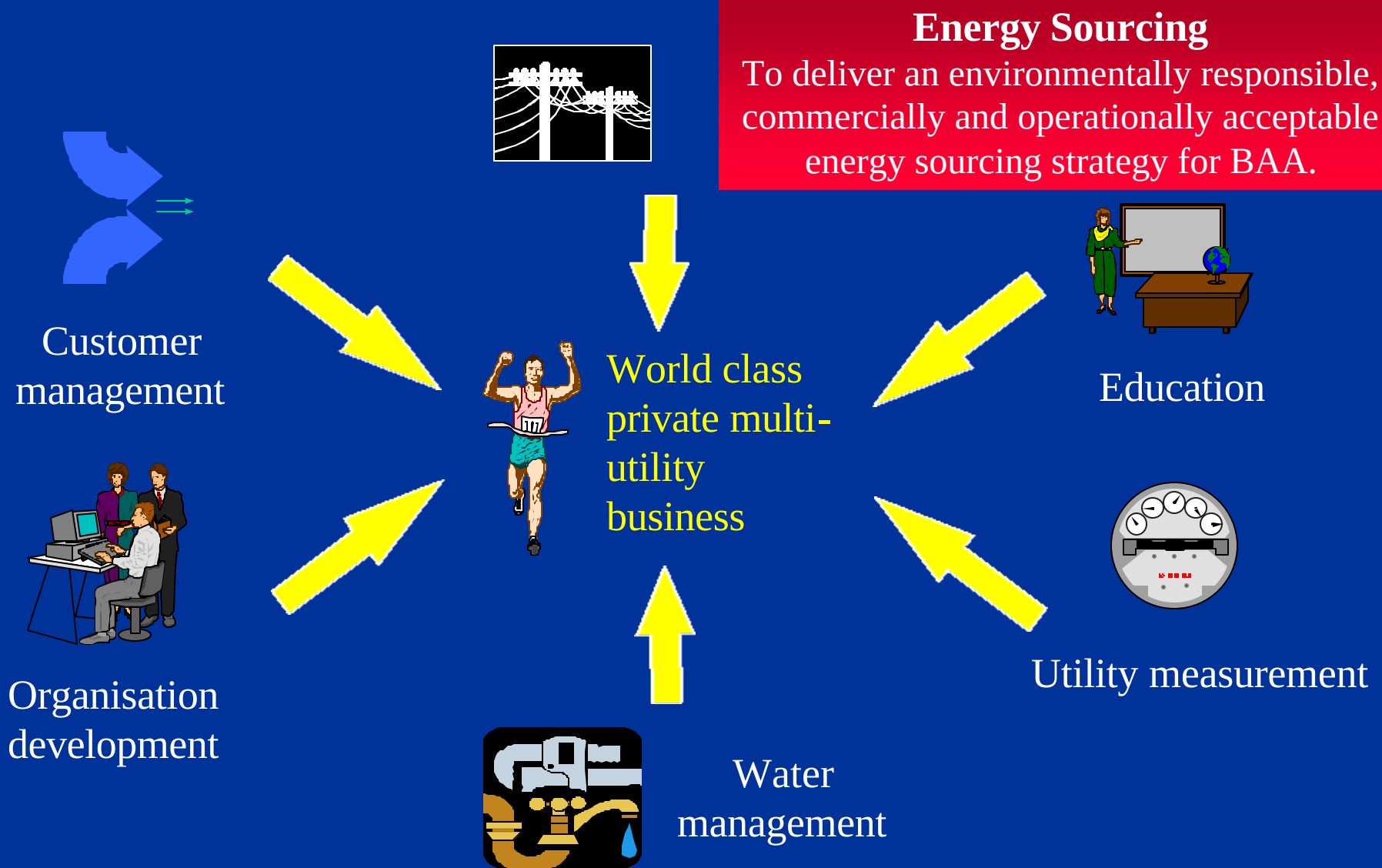
Getting Started

- Energy Efficiency Best Practice Programme
- Institutes
- Power companies / OFGEM
- Specialist contractors
- The Internet

FRIENDS *of the*
earth
for the planet for people

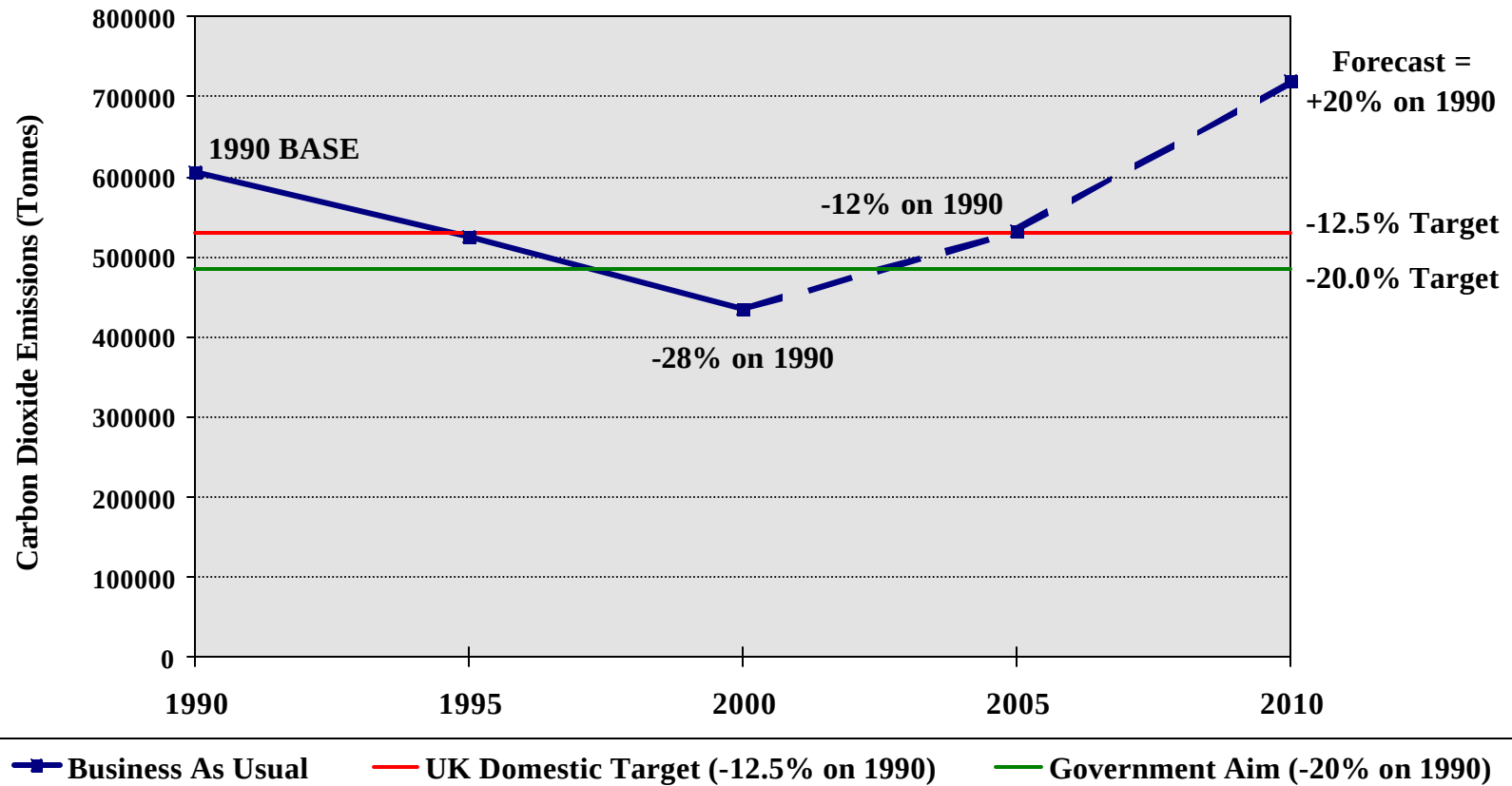


Strategic Priorities





BAA Airports : Total Site Carbon Dioxide Emissions (from Energy) 'Business As Usual' Forecast between 1999 and 2010





BAA CO2 Targets - Compared to BaU

- -10% BAA controlled energy
- -5% customer controlled energy
- -20% from new buildings
- +10% renewables by 2010

Targets accepted as “challenging” by DETR...



CO₂ Strategy

Metering & conservation
initiatives - BAA
controlled energy

Procure 10%
from external
green source

CHP business
case - implement
if economic

CO₂ objectives
achieved by
2010

Customer
conservation
projects and
incentives

New build
efficiency
programme

Local solar
schemes to
support new build





Procurement Issues

- Preserve competitive position for “Brown” energy - buyers market
- Large BAA demand - 100GWh requires £150M investment
- Limited available capacity 10TWh = 2.7% UK capacity
- Limited new projects today
- Supplies already exhausted - many suppliers have waiting lists!
- Government set to legislate suppliers - 3% by October 2001
- Short term demand will increase + supply will not = prices will rise

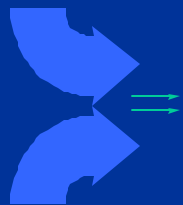
How to procure in a seller's market...?



Plan of Action

- ✓ Identified technology solution
- ✓ Identified credible suppliers
 - ✓ Small supplier community
- ✓ Tentative commercial discussions - Confidential
- ⌚ Scenario planning
- ⌚ Select option
- ⌚ Engage partners
- ⌚ Commitment

Should we commit early to secure supply...?



Strategic Priorities

Customer Management

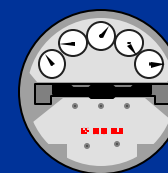
To deliver a long term solution for the supply of utilities to airport customers that satisfies the customer, regulator and BAA's business objectives



Energy sourcing



Education



Utility measurement

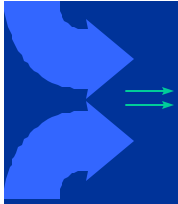


Water management

World class private multi-utility business



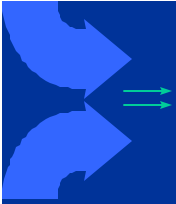
Organisation development



The issues

- Competition Commission (CC) review
 - Customers challenging high prices
- Competition Act
 - Abuse of dominant position?
- Utility Bill
 - Common carriage - network license
 - BAA licensed as a supplier?

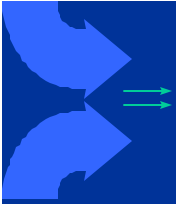
We are unlikely to be able to continue in the monopoly supply of electricity



Our customers want...

- Lower prices
 - Possible but limited by on-cost of infrastructure
 - Utility sale - no profit for BAA
- Security of supply
 - Achievable
 - Airports much more reliable than public networks
- Lower costs
 - Access to data via internet
 - Collaborative buying & energy initiatives
 - One energy team in future

Do our customers want choice - or is this a means to an end?



The way forward

- Customer focus
 - Pro-actively offer common carriage & buy club
- Ofgem
 - Resist network licence - but have a contingency plan
 - Use “Buy Club” to exempt from supply licence
 - Stop supplying customers if Ofgem refuse exemption
- CC/CAA
 - Emphasise pro-active approach
 - Plan for common carriage, allocated charge reduction & network licence in submission



And finally...

- We aim to build a world class private multi-utility business
- We have
 - The right people
 - The right processes & technology
 - The right customers
 - The right partners
 - The right management

We will achieve our objective...



Thank you for listening