



Renewables, Energy and Natural Resources Advisory Consulting



Smith &
Williamson



Smith & Williamson is now part of the Tilney Smith & Williamson Group*. We are a leading provider of accountancy, tax and financial advisory services, with more than 1,800 people across 11 offices in the UK, Ireland and Jersey. We offer a wide range of end-to-end services to meet your needs throughout your life and at every stage of the business lifecycle. Our experts work closely with each other, across these specialist disciplines.

This means you benefit from:

- Joined-up advice on your financial affairs
- High-quality client service based on close professional relationships and significant partner and director involvement
- A-can-do attitude delivered by individuals with deep knowledge and innovative approach to meet complex financial needs

*As of September 2020

How we can help



Dedicated

Your organisation will benefit from our coordinated, cross-disciplinary service. We are a leading provider of accountancy, tax and advisory services. Our experts work closely with each other, right across these specialist disciplines.



Experienced

You'll have direct access to highly qualified, senior-level experts with deep sector expertise who will work closely with you and your teams. We have the expertise to help steer your management team through challenges and to enable you to effect change successfully.



Forward-thinking

We seek not just to solve but anticipate the challenges the energy and renewables sector faces. Our insights pick out these issues and shine a light on your tailored solutions, working to foresee and overcome challenges together.



Holistic

You'll have access to senior people from across our diverse business, as well as benefiting from our global reach and local knowledge in overseas markets through our membership of Nexia International.

Energy businesses operate in a fast-moving, complex and regulated environment with a unique set of challenges, including:

- A political spotlight, with the UK Energy White Paper setting out plans for de-carbonisation of the energy system coupled with a potential doubling of energy demand, requiring a four-fold increase in green generation.
- A shifting competitive landscape, with large oil and gas groups successfully pivoting to renewables, game-changing M&A activity, high levels of insolvencies and disruptive new players using technology to access competitive advantage.
- Regulatory pressures on revenue, margins and cash, such as price caps in the supply market and the mechanisms for recovering ROCs, balancing and distribution costs.
- Enforced changes to processes such as new faster switching and additional support for vulnerable customers, requiring operational transformation.
- Issues in developing new renewable generation assets, including the removal of subsidies and planning restrictions, reducing margins and limiting the availability of funding.

Through Partner-led delivery, we advise at a strategic level to deliver the best solution for your energy business. Combining deep industry experience with commercial acumen and data analytics, we identify root causes and work to optimise performance.



Our focuses

Energy supply

While energy supply businesses continue, in the most part, to perform well, generating returns is getting harder. Those businesses that are not advancing at a pace with investment in technology, data and analytics are likely to be undercut by competitors with leaner costs to acquire, serve and retain customers. The tech-focussed new operating model is disruptive, elevating staff to customer ratios into the thousands.

We see energy supply businesses as operating in two main areas - customers and data technology - and firms excelling at both are likely to generate significant competitive advantage.

Our services

We combine data-driven analytics with a deep understanding of the UK energy supply market to enable firms to work smarter. Every business is different and we tailor our services to meet your requirements:

- **Revenue and cost assurance** - we reconcile dataflows and database information to minimise revenue leakage and leave you with ongoing tools to continue these activities on an ongoing basis. Using data analytics tools and live dashboards, we can both show the high-level opportunity for improvement, and pinpoint areas for optimisation, whether through the settlements process, billing, or recovery of overpaid costs.
- **Margin and operational efficiency maximisation** - we conduct segmented analytical reviews of margin, combined with consideration of the pricing strategy to pinpoint areas for optimisation. As a large proportion of the direct cost base is fixed across the UK, we target areas for operational efficiencies on those costs that are more controllable.
- **Working capital optimisation** - with a focus on the more controllable elements of the working capital cycle such as customer debt, we analyse, identify key risk areas and provide targeted recommendations for improvements, aligned with existing Dunning collection processes.
- **Key performance indicator dashboards** - increasingly, the competitive battleground amongst suppliers in the UK energy supply market is over the optimisation of four key customer ratios: cost to serve, cost to acquire, cost to retain and staff to customer ratios. We can build these (plus other company specific tailored KPIs) into live dashboards enabling leaders' time and focus to be effective.
- **Integrated financial forecasting** - arguably, the critical success factor in energy supply forecasting is being able to accurately forecast customer numbers and settlement volumes, which requires financial forecasting to be constantly aligned with Trading forecasts. We can pull together these multiple sources into one, easy to understand output.
- **Cash flow forecasting and management** - We support in building a rolling 13-week cash flow forecast that can be easily updated and highlights risk areas caused by material industry cost payments. We also provide pragmatic recommendations to mitigate those risks.
- **Cost optimisation, reduction and streamlining** - we combine benchmarking with zero-based budgeting and propose areas for improvements. We also review procurement processes and, importantly, practices with a focus on pricing, economies of scale and payment terms. We make recommendations for transitions to leaner operating models whilst at the same time resolving legacy data issues to mitigate future cost risk.
- **Robotic process automation (RPA)** - we identify RPA opportunities to automate repetitive activity, using computer coded software (robots) that work across functions and systems in a single process (such as between billing and finance systems). This mimics human actions on systems and minimises transactional workloads, freeing up time for analytical, value added work (or providing the opportunity to reduce costs). RPA works best for automating data entry, system to system processing and performing reconciliations.
- **Customer journey** - we map and review the customer journey, identifying improvements to operational effectiveness and customer satisfaction. We analyse root causes of divergences from the 'happy path' such as complaints, billing adjustments and call centre contact, and recommend changes to processes or data capture points to minimise these divergences in future.
- **Compliance support** - including Feed in Tariff (FiT) annual certification.
- **Mergers and acquisitions** - with a full transaction service offering, Smith & Williamson is able to identify and support delivery of acquisitions, disposals and spin offs.



Renewables and Natural Resources

The new world of subsidy-free renewable generation asset development is tough. Subsidy removal has significantly reduced the margins and lifetime value of assets, increasing funder risk and therefore borrowing costs. Further, rollout of newer technology such as anaerobic digestion has been problematic, with funders now more reluctant to invest in areas that are less established.

The need for significant storage capability to balance the grid as we increase renewable generation is a big opportunity; yet accessing funding and proving the concept of newer technologies to investors remains challenging.

Development businesses need to operate a constantly evolving business model, moving through technologies and geographies over time to fulfil market demands.

Our services

We combine our network across the renewable development sector with industry knowledge and commercial acumen to support our clients with tailored services, including:

- **Cost and operational efficiency optimisation** - whether your focus is on development projects, operations & maintenance or overheads, we conduct segmented analytical reviews of operational processes mapped against the cost base and identify opportunities for improvement. We also review procurement processes and practices with a focus on pricing, economies of scale and payment terms.
- **Funding** - we support with financial modelling and preparing information packs to overcome subsidy-free funding hurdles and maximise development funding opportunities. With a wide network, we have strong relationships with a number of funders and as can help build credible information packs that meet their requirements.
- **Strategic options in response to changing energy market** - in light of the UK Energy White Paper and your strategic objectives, we can identify and support in the implementation of opportunities to buy, sell, diversify, partner, fund or fix your company, development pipeline or asset portfolio, whether you are looking to add or preserve value. This includes combining complementary or diversified generation assets into a portfolio and Listing.
- **Integrated services offering** - at Smith & Williamson, we offer a wide range of end-to-end services to meet your needs throughout the business lifecycle. We are a leading provider of accountancy, tax and financial advisory services, including tailored solutions such as offering back office outsourced support to enable focus to remain on core operations. Our experts work closely with each other across the specialist disciplines.

With wide-ranging industry experience, we identify the root causes of delays and work to bring performance back on track, while ensuring a tight focus on the right priorities. This frees business leaders to focus on strategic issues.

This investment in additional support can be the difference between success and failure. It can help businesses sustain the deal rationale and implement key cultural changes in those critical weeks post-acquisition. It can also materially accelerate the achievement of synergies and capture strategic benefits before competitors have the chance to react.

Experience and success stories:

- Operational transformation for a high growth development group, redesigning organisational processes and obtaining funding.
- RPA implementation to save many hours of data entry and manual processing time between billing and finance systems and to update settlements data.
- Acquisition and integration projects (including through the Supplier of Last Resort process) aligning processes and procedures, with a focus on regulatory requirements.
- Operational efficiency, streamlining and cost reduction with implementation support to ensure reduced costs were embedded.
- Using technology and data analysis to undertake revenue and cost assurance to improve the net position, including reporting for settlements corrections
- Implementing live debtor reporting and analytics to identify areas for improvement, combined with changes to operational processes to minimise bad debt risk.
- Development of strategic plans for both whole groups and the finance function, and technology investment reviews to provide optionality over levels of investment and how each level supports strategic objectives.
- Reviewing a supplier's financial forecast, providing challenge and testing the assumptions, improving the methodology to a fully integrated model, identifying funding gaps and suggesting corrective actions to mitigate.
- Implementing live dashboards to track delivery of KPIs, with drilldowns and performance tracking by division for customer debt and revenue and cost assurance
- Resolution projects including data cleansing/alignment, backlog clearance projects
- Finance support in implementation of new customer billing system to align with finance processes and ensure optimal financial controls in place for credit balances refunds.

For more information and insight, please visit our website: smithandwilliamson.com/en/services/advisory-consulting/

Tax and Government legislation is that prevailing at the time, is subject to change without notice and depends on individual circumstances. Clients should always seek appropriate tax advice from their financial adviser before making financial decisions. HMRC Tax Year 2021/22.

By necessity, this briefing can only provide a short overview and it is essential to seek professional advice before applying the contents of this article. This briefing does not constitute advice nor a recommendation relating to the acquisition or disposal of investments. No responsibility can be taken for any loss arising from action taken or refrained from on the basis of this publication.

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