Power and Utilities – Services and Solutions

A report summarizing the global and regional trends in the power and utilities industry

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GLOBAL SUMMARY | SEPTEMBER 2022

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For power and utilities services and technologies market, ISG sees several common trends and drivers across regions. Some of these include the growing importance of sustainable practices, rising fuel prices, a need for enhanced customer experiences and investment in cybersecurity.

Momentum for sustainability

Sustainability is rapidly becoming a key topic of conversation for businesses across industries, including power and utilities. Utilities are shifting to more sustainable practices due to tightening government regulations, a growing eco-friendly consumer base and declining costs of renewable energy. Currently, more than 80 percent of utilities in the U.S. have committed to reduce carbon emissions. A sustainable future needs investment in cloud-based systems, AI to drive innovation and analytics to generate real-time insights.

Pricing volatility and constraints

Factors influencing electricity prices include cost of fuels, power plants, transmission and distribution systems. The transition to clean fuel sources continues to influence the price mix. The current Ukraine crisis is further raising the power costs for utilities. In the U.K., energy bills increased by 54 percent in April 2022, and the wholesale electricity prices in the U.S. increased between 13 and 135 percent in the last one year. Rising costs and a limited ability to raise prices have forced companies to prioritize cost optimization along the entire utility value chain.

Customer experience is a necessity

Customer experience and customer engagement have become a necessity. There is a shift from a transactional approach to personalized customer solutions as companies have access to more data. Utilities are innovating to retain their customer base through a 365-degree view of customers and AI-powered virtual agents. Balancing human intervention and technology through a multitasking workforce and digital transformation is pivotal.

Investment in cybersecurity

With utilities adopting IoT technologies, shifting to remote or hybrid work, and embracing 5G and other cellular networks, they are becoming vulnerable to cyberattacks. The proliferation of vehicle electrification and microgrids will only add to the complexity. The U.S. Department of Energy has already set up an office with $96 million in funding to protect the nation's power grid and other infrastructure against cyberattacks and natural disasters. The U.K. has created the National Cybersecurity Centre (NCSC) with key responsibilities of developing cybersecurity policies and responding to emerging threats.

The global power and utilities industry is in the middle of a massive paradigm shift driven by increased focus on energy transition and sustainability, new-age technologies, regulations, electric mobility and increasing fuel prices.

Swadhin Pradhan, Lead Analyst, ISG

Rising M&A and divestitures in North America

Pandemic-related uncertainty, federal regulations and policies, a significant focus on renewables and ESG initiatives, investments in innovation and technology, and capital availability are driving M&A in the power and utilities sector. Utilities in North America are executing strategic acquisitions to grow their clean energy businesses and strengthen their ESG profiles. Many of them are selling off their transmission and distribution assets and investing in renewables. As advanced technologies such as AI, IoT, cloud and blockchain continue to influence the sector, there is also a shift toward more transformational M&A activity in the digital space to create new markets and cater to consumer needs.

Talent shortages and a changing regulatory landscape continue to challenge power and utility companies across the world. With a focus on digital technologies, the industry is witnessing M&A as companies expand capabilities around them.
Swadhin Pradhan, Lead Analyst, ISG

Labor shortages and skill gaps in North America

According to National Association of State Energy Officials (NAESO), around 84 percent of power and utilities companies are facing challenges in hiring qualified workers. Around 25 to 30 percent of the utilities workforce is expected to retire by 2023 according to the U.S. Department of Energy. The new U.S. government plans to create new infrastructure projects for modernizing the electric grid and updating aging assets. However, the lack of skilled workers can have a major impact on completing these projects on time. As a result, government agencies and utilities are under pressure to address this issue.

Changing regulatory landscape in the U.K.

The U.K. is currently going through significant regulatory changes and reform. There are several factors driving this change, including Brexit, the U.K.'s net-zero goals and government funding. In 2022, the U.K. government launched a review of economic regulations in the utilities sector to evaluate the role of regulators, assess clear strategic directions, explore the role of increased competition in strategic investments, and promote transparency and consistency. The government also plans to invest more than £31 million to help industries reduce emissions and energy costs.

This year's power and utilities services study assessed 34 providers across five quadrants and two regions. For the power and utilities industry services quadrants, 17 providers are identified as Leaders and three providers as Rising Stars for various quadrants across regions.

Strengths of Leaders

- **Deep industry knowledge and expertise:** Leading service providers have extensive industry experience and proven domain knowledge across geographies with a large enterprise client base. They have a proven track record, long-term client relationships, strong teams of industry experts and partners with significant years of experience in the utility domain.

- **Stronger partner ecosystem:** Many service providers have built a robust partner ecosystem across the globe to expand their footprints and solution capabilities. They are partnering with key vendors – both niche and established, in the BPM, IT services, grid modernization, enterprise asset management and CIS spaces. Together, they are co-developing and innovating to provide end-to-end solutions. They are also collaborating to provide sustainability-related services.

- **End-to-end capabilities:** Leaders are continuously making strategic investments and acquisitions to expand the depth and breadth of their capabilities across the power and utilities value chain. Leaders also offer end-to-end transformational services.

- **Focus on innovation and technologies:** Leading service providers are focusing on innovation and developing utility-focused solutions driven by new-age technologies. To further their digital agenda, they are developing utilities-specific technology centers, centers of excellence and innovation hubs that focus on smart metering, cloud, AI and machine learning, IoT and digital twins, etc. They are also setting up global co-innovation hubs to build prototyping capabilities and client solutions.

- **Commitment to energy transition and sustainability:** Leaders are showing a strong commitment to sustainability and net-zero initiatives and winning over the utilities clients that want to partner with providers with well-defined environmental initiatives.

The Leaders in power and utilities space are building on their strong IT services capabilities. The providers differentiate themselves around industry expertise, their talent pools, solution portfolios, partnerships, and offshore and nearshore delivery capabilities.

Swadhin Pradhan, Lead Analyst, ISG

Common Leaders Identified Across Geographies for Power and Utilities – Services and Solutions 2022

Service Provider	Intelligent Business Process Management Services (iBPMS)	Next-Gen IT Services	Grid Modernization	Enterprise Asset Management (EAM)	Customer Information Systems (CIS)
Accenture	North America, U.K.	North America, U.K.	North America, U.K.	North America, U.K.	North America, U.K.
Alorica	North America				North America
Atos		U.K.	U.K.	U.K.	
Capgemini		North America, U.K.	U.K.	North America, U.K.	North America
CGI		U.K.			
Cognizant	North America, U.K.	North America, U.K.		North America, U.K.	North America, U.K.
EXL	U.K.				U.K.
Genpact	North America				
HCL		North America, U.K.		North America	North America

● North America ● U.K.

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Hitachi Vantara		🟢	🟢	🟢 🔵	
IBM	🟢 🔵	🟢 🔵	🟢 🔵	🟢 🔵	🟢 🔵
Infosys	🟢 🔵	🟢 🔵	🟢 🔵	🟢 🔵	🟢 🔵
TCS	🟢 🔵	🟢 🔵	🟢	🟢	🟢 🔵
Tech Mahindra	🟢	🟢			
Teleperformance	🟢 🔵				🔵
Wipro		🟢 🔵	🟢	🟢	🟢
WNS	🔵				🔵

🟢 North America 🔵 U.K.

Rising Stars Across Geographies for Power and Utilities – Services and Solutions 2022

Quadrants	North America	U.K.
Next-Gen IT Services	LTI, Coforge	Enzen
Grid Modernization	Capgemini	

Who Should Read This

This report is relevant to executives and managers in IT, operations and procurement and others who are involved in outsourcing to evaluate the service providers in the power and utilities space. Readers should also consider the business and digital transformation of the utilities value chain supported by their service partners to assess how the respective enterprises can improve their processes and provide enhanced customer service. The report is of value to enterprises of all sizes in the power and utilities segment, especially those in North America and the U.K.

Chief information officers (CIOs)

CIOs should read this report to better understand how the technology trends in the utilities value chain affect enterprises' existing use of legacy systems and the opportunities and potential limitations that may exist for adopting and integrating new capabilities.

Operations professionals

Operations professionals should read this report to understand the relative positioning and capabilities of providers that offer end-to-end services to deliver higher efficiency and effectiveness. The report also highlights their technical and integration capabilities, as well as their strategic partnerships.

Technology professionals

Technology professionals should read this report to understand how service providers in the utilities sector are integrating multiple technologies into their proprietary offerings and compare their technical capabilities with the rest of the market.

Procurement professionals

Procurement professionals should read this report to understand the provider ecosystem for solutions and services in the utilities sector in multiple regions and gain insights into how providers compare to one another.

Further Reading

Further Reading

North America

[Intelligent Business Process Management Services (iBPMS)]

[Next-Gen IT Services]

[Grid Modernization]

[Enterprise Asset Management (EAM)]

[Customer Information Systems (CIS)]

U.K.

[Intelligent Business Process Management Services (iBPMS)]

[Next-Gen IT Services]

[Grid Modernization]

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For more information about this and other ISG Provider Lens studies

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ISG Provider Lens

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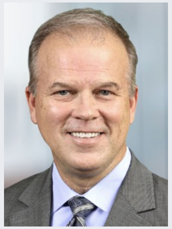
Sandhya Navage is a research specialist at ISG and is responsible for supporting and co-authoring Provider Lens™ studies on power and utilities services, insurance BPO and IT services and payroll services. She supports the lead authors in the research process and authors the global summary report. She also develops content from an enterprise perspective and collaborates with advisors and enterprise clients on ad-hoc research assignments.

She has been associated with ISG since 2021. Prior to this role, she has worked with IT, BPO and financial services companies and has more than 12 years of experience in market research. She has experience in creating actionable insights and value-added competitive analysis for multiple industries including insurance, banking, financial services, manufacturing and energy and utilities.

IPL Product Owner



Jan Erik Aase
Partner and Global Head – ISG Provider Lens™

Mr. Aase brings extensive experience in the implementation and research of service integration and management of both IT and business processes. With more than 35 years of experience, he is highly skilled at analyzing vendor governance trends and methodologies, identifying inefficiencies in current processes, and advising the industry. Jan Erik has experience on all four sides of the sourcing and vendor governance lifecycle – as a client, an industry analyst, a service provider and an advisor.

Now as a research director, principal analyst and global head of ISG Provider Lens™, he is well positioned to assess and report on the state of the industry and make recommendations for both enterprises and service provider clients.

ISG Provider Lens™

The ISG Provider Lens™ Quadrant research series is the only service provider evaluation of its kind to combine empirical, data-driven research and market analysis with the real-world experience and observations of ISG's global advisory team. Enterprises will find a wealth of detailed data and market analysis to help guide their selection of appropriate sourcing partners, while ISG advisors use the reports to validate their own market knowledge and make recommendations to ISG's enterprise clients. The research currently covers providers offering their services across multiple geographies globally. For more information about ISG Provider Lens research, please visit this website.

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