



Perspectives - Thoughts for 2015 (pt 1)

Yes, in Enstra we like to think ahead.

By thinking through what could happen in the future we can help our clients make the decisions today which will enable them to thrive in whichever future unfolds over the coming years.

So as we start 2010 let us look at some of the questions the Energy Utilities need to tackle over the coming years.

When we look back at 2010 in five years time what progress will we have seen?

1. Smart metering – Telco thinking?

Will we see a paradigm shift from Energy Utility thinking to Telco thinking?

The residential energy utility world will become much more like the Telco world in the future.

- a. As Smart meters are rolled out globally we are potentially creating one of the largest telecommunication networks on the planet. A machine to machine internet which some commentators think will be 4 times the size of the current internet.
- b. As Smart meters roll-out in the UK we will see over 6 million Pre-Payment meters replaced by Smart meters offering a Pay-as-you-go tariff. Sounds familiar?
- c. Billing will be based on 17520 data points per year (half hourly reads) rather than 2 or 3. We will see a proliferation of Time-of-use and Demand side control tariffs, as well as Pay-as-you go and varying levels of credit tariffs. Which industry has the track record of handling vast amounts of data and a plethora of complex tariffs. Yes – Telco.

Will we see Telco's move into energy? Will we see Energy co's taking over Telco's? Will we see the growth of information management centres providing outsourced services to Telco's and Energy Co's? Will we just see a transfer of knowledge/people/software across the industry divide?

How it happens is the question – it appears inevitable that it will.

2. UK Residential Energy Services – a £100 billion opportunity?

Ed Milliband (Labour Energy & Environment) and Charles Hendry (Tory Energy) think alike. Both recognise that the UK needs to upgrade the energy efficiency of the housing stock and that at least £6500 needs to be invested in the 7 million poorest performing dwellings. This in itself gives a market of over £45 billion.

Add to that the demand for improved energy efficiency from the remaining 20 million dwellings we must be looking at a market greater than £100 billion.

We have witnessed a tremendous focus on Smart Metering, which is a £10-15 billion, opportunity. What level of focus will we have on the energy service opportunity which



is 10 times the size?

It is interesting to note that Charles Hendry is proposing the introductions of “Green Loans”. These would be loans for energy efficiency investments to householders secured on the property repaid out of shared savings on energy bills over 20/25 years. He reported that there was precious little enthusiasm for the idea from energy suppliers until Tesco, Sainsbury’s and a number of Financial Services companies intimated that they were very interested indeed!

Smart Metering and Energy Efficiency of the housing stock are of course closely related since Smart homes are ripe for investment in energy savings technologies – which could form part of the Green Loan package. If we recognise that there are 10 million households in the UK without even a thermostat – the potential energy and carbon savings from Home control technology must be significant.

Could this be the lever that changes the structure of the industry?

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