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Are unbundling electricity services the way forward for the power sector?

Rolando Fuentes

King Abdullah Petroleum Studies and Research Center, Saudi Arabia

High penetration of distributed energy resources will lead to further fragmentation of the power sector, both in the services offered and its value chain. Successful business models will be those that are able to create new products, establish more efficient pricing mechanisms and monetize services, which customers could no longer receive free-of-charge. The principles of the “sharing economy” could be applied to manage the fragmentation of the industry while keeping transaction costs in check. We try to envisage what new business models might arise by revisiting existing models in the electricity sector. The risk for incumbent utilities is the emergence of innovative new technologies, which is taking place that may destabilize the industry with large sunk costs and where infrastructure is already in place. We suggest that utilities may evolve their business models and learn to compete in bilateral, platform-based markets that incorporate some features of what is known as the “sharing economy”. The business models of today’s utilities are largely constrained by what regulation allows them to do. We will imagine in this exercise that electric utilities are able to set their business model without requiring regulatory approval - after all, electricity markets are opening, creating demand for many different goods and services. There are some limitations to the arguments we put forward. The first, obviously, is that no one can accurately predict the future. The second is that, because electric power markets are so idiosyncratic, it is not realistic to have a one-size-fits-all business model. Our aim is to provide a general framework and to identify business characteristics that are applicable to a variety of areas.