AFRICA ENERGY INDABA
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Disruptive Forces Set to Change Power Utility Business Models

Utilities must respond appropriately to impending forces to prevent being surpassed by technological and market change

FOR IMMEDIATE RELEASE

Johannesburg, 11 December 2018; It appears that several disruptive forces are set to threaten the traditional power utility business model as we know it. Distributed power generation, technological advances and changing customer perspectives are amongst some of the major influencers responsible for this transformative change. It is this volatile territory that will be of significant focus at this year's **Africa Energy Indaba.** In light of these forces, many industry players predict the prevailing power utility business model to transform drastically between now and 2030, to a point that it may even be unrecognisable.

Technological changes predicted to have the most significant impact on the power sector are energy efficiency, declining solar prices, demand-side management and decentralised smart grids. The precipitous advances in technology, coupled with the decline in associated prices, means that utilities could be adversely affected as demand from sectors carrying cross subsidies are reduced.

Restructuring of technology and electricity policies will be significant determining factors of potential business models. Interestingly, deregulation in South Africa could result in a considerable rise in the number of IPPs in the sector. As already seen in developed nations, decentralised utilities have cut into the revenues of traditional power utilities, thereby relegating conventional power generation. Injudicious power utilities could therefore stand

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the chance of being reduced to the role of back-up infrastructure operators where savings and performance improvements will only take them so far.

Customers will have a major bearing on future power utilities as businesses will be significantly influenced by the digitalisation of the customer relationship. This ultimately means that the demands of customers will need to be addressed more efficiently and speedily.

Demand-side management will become increasingly utilised and the integration of renewables and increased decentralised generation will govern future business models. In nations with emergent energy systems, decentralised generation could be even more significant.

Competition between companies will peak as utilities attempt to become distributed generation service providers to customers, thereby harnessing the situation as an opportunity rather than a threat, to survive in this ever-increasing decentralised power model. In addition, companies will be required to develop innovative strategies to maintain a competitive position for customers in the market.

However, although the business models of utilities are expected to change, they will remain an important component of the energy landscape. “The functions of utilities will remain critical but complementary solutions will be provided by a more diverse set of actors. Thus, we will not get rid of traditional utilities but a lot of the system pieces, be that supply, storage or rural energy systems, will be brought by new players and new entities.” explained Dr Christoph Frei, Secretary General and CEO of the World Energy Council.

A seamless transition entails that policies and frameworks be established to cautiously manage social and employment impacts as to prevent social and economic complications. People tend to maintain the status quo when their jobs are on the line, thereby hindering potential progress. Open communication, frugal planning for change and social protection policies are elements to ensure a just transition process. In addition, policy-makers have the task of facing issues of supply availability, affordability and environmental impact. These factors, if perceived innovatively, could lead to massive opportunities for those vested in the power market and the economy in its entirety.

Existing market players must capitalise on these changes, so they prevent being surpassed by other entrants. It’s imperative that companies respond appropriately to these transformations to convert them into opportunities or they stand a good chance of being overshadowed by technological and market change. They will need to be discerning with regards to exploiting revenue opportunities, reducing costs, improving customer service as well as attracting a modified, more informed and empowered customer profile.

Press Release Ends

ABOUT AFRICA ENERGY INDABA

An African Energy event for Africans and by Africans

2019 Theme: Africa’s Energy Future

Africa's power and energy sector is a critical driver of growth and development across the continent. With vast natural energy resources ranging from coal, oil, gas, hydro, solar, wind and geothermal, there is ample choice for the discerning energy investor. Lack of access to electricity means that there is an opportunity for regional governments, energy businesses, organisations and financiers to unlock electricity access to millions of people who have don't have power. **The Africa Energy Indaba** is the continent's premier energy conference and exhibition: bringing together leading African and global energy players to unlock energy and business opportunities across the African continent. The event is the World Energy Council (WEC) regional event for Africa and has strategic partnerships with the South African National Energy Association (SANEA) and the NEPAD Planning & Coordinating Agency (NPCA).

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