



# 5 TRENDS DRIVING CHANGES IN THE UTILITIES INDUSTRY

WHITE PAPER

OVER THE NEXT DECADE, 17 OFFSHORE WIND SITES IN THE ATLANTIC OCEAN ARE SCHEDULED TO GO ONLINE, STRETCHING FROM CAPE COD IN MASSACHUSETTS DOWN TO NORTH CAROLINA'S OUTER BANKS.

## INTRODUCTION

Few industries face the kinds of daunting changes that the utilities industry will be going through in the coming years. Between public opinion and government regulation, there is pressure to make changes immediately. However, realistically, some adjustments will take time to implement. The result is an industry that is in a state of flux.

Here we'll examine some of what businesses in the utilities industry need to think about as the industry shifts to meet demands, and why businesses need a better technology infrastructure to meet the moment.

## TREND #1: TRANSITION TO CLEAN ENERGY SOURCES



Probably the biggest issue facing utilities companies right now is the push for the industry to have a more positive impact on the environment. Many companies have already been taking steps to address this issue. For example, they have built natural gas power plants that are more efficient than coal-fired power plants or older natural gas plants.

Solar panels and offshore wind power have become increasingly popular ways to deliver cleaner electricity. Over the next decade, 17 offshore wind sites in the Atlantic Ocean are scheduled to go online, stretching from Cape Cod in Massachusetts down to North Carolina's Outer Banks.

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WANT TO KNOW THAT THE  
COMPANIES THEY ARE USING ARE  
ENVIRONMENTALLY RESPONSIBLE.

### TREND #2: FINANCIAL AND REGULATORY PRESSURES

For some companies, the transition to clean energy is a goal that aligns with its own mission. For others, it's a change the organization is making because it has to. Utilities companies increasingly face penalties if they don't meet certain standards related to environmental issues. However, there are incentives to be had by meeting goals as well.

Financial pressures come from volatile markets in addition to the costs of maintaining equipment or installing new infrastructure that meets regulations. There is also an element of public pressure. Customers who have a choice want to know that the companies they are using are environmentally responsible.



### TREND #3: SUPPLY CHAIN

The utilities industry, like so many others, has felt the impact of the supply chain disruptions of the past couple of years. Companies that are working to meet regulations are having trouble finding the necessary equipment, such as solar panels. For other companies, materials necessary to maintain the infrastructure are either hard to find or delivery is being held up due to issues like transportation backlogs or shipping container shortages. That is forcing companies to delay

needed construction and maintenance.

Utility solar installations are expected to fall by 14% in 2022 compared with 2021, according to a 2022 report from the Solar Energy Industries Association. The report says utility solar demand remains high, but equipment delays and price increases have combined to either cancel projects or push them from 2022 to 2023.

WHILE THE SUPPLY CHAIN ISSUES HAVE CONTRIBUTED TO THE RISE IN INFLATION, RUSSIA'S INVASION OF UKRAINE HAS EXACERBATED NUMBERS THAT WERE ALREADY HEADED IN A BAD DIRECTION.

### TREND #4: IMPACT OF INFLATION

Those price increases are due to rising inflation. The consumer price index released in March showed inflation at 8.5%, with the increase from February (7.9%) to March marking the biggest monthly increase in more than 40 years.

Gas prices are nearly 50% higher than the same time in 2021, and utility bills such as heat and electricity are up about 15%. While the supply chain issues have contributed to the rise in inflation, Russia's invasion of Ukraine has exacerbated numbers that were already headed in a bad direction.



### TREND #5: THE SITUATION IS FLUID

Another aspect to consider is the fact that much of this is still fluid. While the Biden administration has promised to reduce America's use of fossil fuels, political pressure has forced the government to take contradictory actions.

In April 2022, President Biden announced that the Environmental Protection Agency (EPA) would temporarily lift regulations prohibiting the summertime use of an ethanol-gasoline blend that contributes to smog during the warmer months. The rising cost of gas is to blame in this instance, but with mid-term elections coming in November, it is the political winds that will help dictate the decisions that are made around utilities.

IN APRIL 2022, PRESIDENT BIDEN ANNOUNCED THAT THE ENVIRONMENTAL PROTECTION AGENCY (EPA) WOULD TEMPORARILY LIFT REGULATIONS PROHIBITING THE SUMMERTIME USE OF AN ETHANOL-GASOLINE BLEND THAT CONTRIBUTES TO SMOG DURING THE WARMER MONTHS.

### USING DATA TO SUPPORT UTILITIES COMPANIES

“

FOR EXAMPLE, UTILITIES HAVE FOUND THAT SIMPLE DATA FEEDBACK, LIKE PEER CONSUMPTION COMPARISONS, DRIVES THREE TO FIVE PERCENT ENERGY EFFICIENCY IMPROVEMENTS. AND INSTALLING SMART THERMOSTATS WITH THE ABILITY TO TURN OFF AIR CONDITIONING DURING PEAK HOURS CAN REDUCE THE NEED FOR NEW GENERATION CAPACITY.”

GARTNER REPORT\*



There is an increasing reliance on data by utilities companies to address these issues. In a report from June 2021 titled, “Urgent Action Needed: Energy Markets Are Changing Faster Than Energy Companies,” Gartner® reports, “Oil and gas CIOs must work collaboratively with energy transition leaders to maximize the impact of digital capabilities to further improve cost efficiency while simultaneously enabling faster energy transition.”\*

The Gartner report goes on to say, “Digital advances that provide greater visibility into energy consumption are also contributing to energy efficiency. Properly packaged and marketed data and analytics and reporting encourage ‘behavior evolution’ among consumers and businesses. For example, utilities have found that simple data feedback, like peer consumption comparisons, drives three to five percent energy efficiency improvements. And installing smart thermostats with the ability to turn off air conditioning during peak hours can reduce the need for new generation capacity.”\*

Similarly, data from smart meters gives utilities information about actions that can be taken based on consumer’s gas consumption. Most companies already have access to much of the data they need in the current environment. Whether it’s to calculate the viability of a move to solar or wind power, or putting together reports for stakeholders, the important piece is finding the right tool to properly analyze that data and make sure your organization is working in the most efficient way.

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\*Gartner, "Urgent Action Needed: Energy Markets Are Changing Faster Than Energy Companies", Rich McAvey, Zarko Sumic, Dale Kutnick, June 28, 2021.

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