



How critical will new utility leadership be to the success of utilities in the future? What traits and characteristics will these new leaders need to possess? Of current utility leaders, which ones are modeling these attributes today?

Dr. Mani Vadari

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Meet the Author:

An IEEE Fellow, electricity industry visionary, and leader, Dr. Mani Vadari delivers strategic services to a global set of utilities, vendors, and service providers seeking deep subject matter expertise in setting the business and technical direction to develop the next-generation electric/energy system. As a Business Architect, Dr. Vadari has been delivering solutions focusing on Transmission/ Distribution/ generation operations, Energy markets, and Smart Grid for over 35 years. In addition, he is an Adjunct Professor at Washington State University and an Affiliate Professor at the University of Washington. He has published two popular books, "Smart Grid Redefined: Transformation of the Electric Utility" and "Electric System Operations – Evolving to the Modern Grid, 2nd Edition", in addition to over a hundred industry papers, articles, and blogs. His books are serving as textbooks at several universities in the US and around the world

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Setting the Context:

The utility business is in the throes of change, the likes of which, we have not seen since the advent of wholesale deregulation. Several major threats and opportunities have arisen over the horizon, some of which are listed below.

- The advent of Distributed Energy Resources (DERs) and the proliferation of Smart Meters have brought an increased potential for retail-level deregulation, one in which others can intervene in the relationship between the utility and its customer by providing new and differentiated services.
- While reliability and resilience have always been important for the utility, the advent of storms such as Superstorm Sandy which are becoming more prevalent has led to the coining of a new term "resilience" and more utilities are being placed in the spotlight for lack of resilience.
- For the longest period of time, the entire relationship between the utility and the customer was as a meter location and a bill payer. This is now changing with the customer becoming at the center of the utility's service delivery process resulting in increased focus on customer service and satisfaction.
- Customers are beginning to incorporate energy-related options into their premises – installations such as rooftop solar photovoltaics, storage, gen-sets, and electric cars are changing the dynamics of the relationship between the utility and the customer. In many of these cases, the utility ends up paying the customer for delivering their excess electricity back to the grid.

This means that the utility's role in being the primary deliverer of electricity to the home is being challenged and the shape of these challenges over time could go in several directions, some that we may not even be able to contemplate today.

So, what does this mean for the Utility?

It is probably fair to expect that the utility's role as the infrastructure provider regulated by the state PUCs may remain in the foreseeable future even though some have even begun to question that over a longer period of time. However, if the future of other regulated services such as telephones is any indication, one can definitely conclude that the future state will be very different than today.

Today's utility leadership can no longer expect

- The old regulatory regime of buying equipment has a life span of 40 years or so and amortizes their investment (and the rates) over this amount of time. Some of the newer equipment being installed, such as Smart Meters may have a life of 5-10 years.
- The ability to install new generations based on the old regime of following the unit commitment and cost curves. Older coal-fired plants are being retired, newer ones are not being permitted and replacement generation is coming from a variety of sources, some gas-based and some based on renewable sources supported by a regime of trying to flatten the load curve. Some disruptors on the horizon include small nuclear and storage.
- Customers are just purchasers of energy and pay a bill at the end of the month. The relationship between the customer and the utility is becoming much more complex with money flowing both ways resulting in new participants from other industries coming into the marketplace. These new entrants could even be other service providers such as internet, cable, and so on, who already have a customer-service provider relationship with the customer.
- And others

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What does the next set of utility leaders be like?

The next set of utility leaders needs to completely change the old paradigm of the relationship between the service provider and the customer. They will need to quickly move to the new paradigm, one in which there is competition for their customer base, one in which (for the first time), their customer base could get eroded.

The new utility leaders will need to be innovative, take risks, think outside the box, and be completely transformative both within the organization and with the customer and the regulator. Let us look at some of these points:

- *Innovative: The new leader must look ahead, look for competition from other sources (possibly from the customer itself), and be ready to tackle these new challenges both within and without.*
- *Transformative: The utility of the future will need to be nimble which will also reflect on the leadership. No longer, can one expect to lead a utility for the next 10+ years. The average life of the utility leadership is about 3-5 years at most. The person in the key roles will need to demonstrate the ability to deliver change and results in this time frame.*
- *Risk taker: The utility can no longer be just a regulated electricity provider. It will need to think outside the box and provide alternative products and services, some that could be regulated and some that may be unregulated.*
- *Culture change leader: As time moves forward, and as the customer may have more options to procure those same set of services as provided by the utility, it is imperative that the next set of leaders will need to drive culture change within the utility, one in which customer service increases dramatically.*
- *Redefine the customer and regulatory relationship: These changes coming down the pipeline, also impact the customer and the regulator. This means that the next leader will need to educate both of these target segments of the population and bring them along the change curve.*

The future looks very positive for the electric utility and its leadership – but only for those who embrace change. We may not be able to define what the future holds for the utility of the future, but we can confirm that it will be very different than the utility of today with more inclusion of DERs, customers having more choices from more providers, and other changes.

Those who change will survive and even thrive in this new future. Those who don't will go the way of the AT&T being bought out by a former upstart such as Cingular.