

## Consultant: Utilities should avoid ‘victim mentality’ and lead on DG

Deck: Pearman offers look at how innovative companies have thrived

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Electric companies must avoid a "victim mentality" on distributed generation (DG) and embrace changes affecting the power sector, Stuart Pearman, **ScottMadden** partner and energy practice leader, told PennWell's GenForum conference Dec. 8 in Orlando, Fla.

"It's our industry and we ought to be articulating the vision," for how DG will fit into the power business, Pearman told the conference, which was co-located with PennWell's POWER-GEN International

Pearman's presentation was titled "Utilities and distributed resources: How I learned to stop worrying and love the bomb!"

Some industry observers and renewable energy advocates have said that rooftop solar and other distributed generation will siphon off load growth from the power grid, resulting in a so-called "utility death spiral."

Investment analyst proclamations on distributed generation have been across the board, Pearman said. Some say that the risk to utilities from distributed generation has been exaggerated. Other experts say that utilities need to start moving away from a centralized electric grid that has admittedly served them well for 100 years.

Pearman quoted American computer scientist Alan Kay in saying that "the best way to predict the future is to invent it." So far, however, many new ideas on rooftop solar and the power grid have come from outside the traditional power sector.

Pearman said he meant the presentation to be somewhat provocative.

"Everybody else has ideas and we tend to react to it," Pearman said. "It's great that **SolarCity** and others have ideas," but the utility industry should be at the forefront of the discussion, Pearman said.

Pearman briefly discussed innovations by successful companies in other sectors such as **Apple**, **Amazon** and **Southwest Airlines**. "Most great innovation comes from seeing old things with new eyes and combining them in imaginative ways," Pearman said.

To illustrate this he pointed to a photograph of a table with items that included a computer, keyboard, monitor, mouse, speakers, telephone and other gadgets commonly found in a modern office. Pearman then revealed that this was an early research station for what would become the Apple Iphone.

"What I want to call your attention to is that here is not one new thing on that table," Pearman said. The magic in it is not the components themselves, but how they fit together, he added.

“We are often set up in functional silos.” Yet innovation and new business models will probably require more collaboration between power company departments, Pearman said.

Power companies could sell backup generators and solar panels as well as provide customers with distributed generation and other electricity-related services, Pearman said.

Pearman some research shows that people trust their utilities more than others on electric-related services. This might spur development of Internet-based platforms for companies to market electric-related goods and services.

There are six factors that should be considered in utility evolution: Regulation, financing, technology, operations, competitive environment and customers, Pearman said. Electric companies will likely have to put increased attention on how well they deal with customers, Pearman said.

“We are used to making 20-to-40-year asset decisions” and sometimes longer. “We love a world that is centrally controlled.” But micro-grids could erode central control. The industry could become more like the Internet and less like an old-fashioned land-line phone network, Pearman said.

A new business model might place the distribution utility at the middle of the flow chart. Everything else might circle around it - solar installers, end users with solar DG, commodity customers, wholesale power providers, transmission operators, load aggregators and others, Pearman said.

Pearman, who has been a management consultant for 19 years and a partner for 13 years at ScottMadden, is also an adjunct professor at the University of North Carolina at Chapel Hill's Kenan-Flagler Business School.

#### **ABOUT THE AUTHOR**

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