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ELECTRICITY SECTOR

EMBRACING FUTURE OF A DEREGULATED UTILITY MARKET

WITH the impending deregulation of the electricity market, consumers in Malaysia can look forward to options. Choice of retail electricity provider will bring with it pricing promotions that will help reduce the cost of electricity for the average consumer.

But for utility companies, deregulation requires looking at their business model and operations through a different lens.

Digital solutions to address challenges

Utilities businesses facing market deregulation have been forced to reconsider their strategies in the face of mounting pressures from changing regulations, disruptive technologies, increasingly complex operations, shifting consumer dynamics and weak demand.

This challenging environment is likely to continue in the near term, a viewpoint shared by as many as nine per cent of the 150 utility executives surveyed in our 2018 Digitally Enabled Grid global research programme, which included more than 25 countries and respondents from Indonesia, Malaysia, Singapore and Thailand.

For utility distributors in Asia, the future lies in innovation and leveraging new technologies to identify and release trapped value in core businesses, and then using that to scale and embrace new revenue opportunities.

This Wise Pivot strategy to be a leader in the new requires utilities to look at three key activities.

- 1) Transform the core**
Some 58 per cent of Asia-Pacific (Apac) respondents saw the strongest potential for growth in improving the efficiency of core processes. For this, employing the right combination of advanced technologies is key. Accenture is looking beyond Industry 4.0 to Industry X.0 where the convergence of breakthrough technologies — analytics, artificial intelligence, mixed reality and more — enables mass customisation with smart, connected products, in real-time. An Industry X.0 approach to digital reinvention brings together smart, connected, living and learning technologies such as real-time solutions that connect and monitor assets to manage resource planning, forecasting and scheduling.
- 2) Grow the core**
In addition to transforming the core business, there are also numerous opportunities to grow revenues and profits. Of our Apac respondents, 48 per cent saw growth potential in improved network performance from smarter grids and 45 per cent identified new revenues from services including data, storage and micro-grids driving continued earnings beyond 2025. Expansion and reinforcement of grids to support organic demand growth and electrification, and new grid-connected assets, from electric vehicles to storage options, present strong possibilities, as does replacing and reinforcing ageing infrastructure to improve reliability.
- 3) Scale the new**
Following the liberalisation of Japan's electricity market in 2016, Kansai Electric Power recognised the need for a new business model. Japan's second largest power company realised that both its core and new businesses needed to co-exist. It needed to strengthen its grid and make grid equipment more efficient and accurate, even as it considered how digital technologies could improve other aspects of its business. For Kansai, the answer lay in a strategic joint venture with Accenture to form K4 Digital. It avoided the temptation of piecemeal/incremental technology changes and took a broader view to transformation, with a focus on becoming an intelligent grid optimiser — scaling its capabilities to accommodate and navigate the fast-changing grid landscape, and pivoting to a new way of doing business. With new revenue streams, an intelligent optimiser can scale up its new business model and pivot to new spin off businesses. Within these, Apac utility executives saw the strongest possibilities in three key areas — asset ownership extension, better leveraging the value of data, and engineering design services.

The time for change is now

With the utility market deregulation looming on the horizon, the utility companies are facing a new competitive landscape. While much of the new value exists downstream, transmission and distribution entities will require the greatest transformation and investment to support new businesses or adjacent offerings growing in retail and emerging services.

Besides the increase in distributed consumer technology, it must also support distributed-scale distributed energy resources (DERs), as well as balance centralised and decentralised power inputs. These factors, and the replacement of ageing assets as well as longer-term estimated demand growth could yield increased asset-related returns.

In short, overall revenue and downstream business growth requires system-wide transformation — spanning power generation, transmission and distribution, and retail. Utility businesses need to embrace new ways of working, new technologies and new business models, even as they protect legacy businesses. It necessitates becoming a different kind of utility — one that can target, release and monetise trapped value sustainably.

This is not a destination but a journey — and it is one that needs to start now.

The writer is managing director of Accenture Malaysia

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DISEDIAKAN OLEH	1-MOHD SHA AFFANDI BIN MD ARIPI (N41), BPM 2-RAJA MUSFARIZAL BINTI RAJA MUHAMAD (S19), BPM UNIT PERKHIDMATAN MAKLUMAT, BPM
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