



ShortTakes

**Trends, Views
and Analysis**



Navigant's Jan Vrins

Pure Energy

Navigant's Jan Vrins talks disruption and a rapidly changing utilities landscape

The utilities industry is rapidly changing. New technologies, increased affordability of renewable energy options and even entirely new business models have resulted in major disruption across the industry. Large utility companies all over the world are suddenly finding themselves with shrinking market cap and devalued assets and are looking for ways to make up for this accelerating revenue shortfall. Navigant just released its report on the future of the energy industry, and Consulting recently caught up with Jan Vrins, Navigant's Global Energy Practice Lead, to talk about this disruption and the role consultants will play in the rapidly changing utilities landscape.

Consulting: *What are some of the biggest changes the utility industry is undergoing?*

Vrins: We have visualized the utilities industry transformation into something we call "the energy cloud", where we clearly see the traditional utility industry model transitioning from large centralized power generation, transmission, distribution and delivering the power, to a model where there's a lot more of what we call "distributed energy resources." There are two-way power flows where consumers produce their own power, whether residential clients through rooftop solar or large commercial and industrial customers through generation, which really changes the complete system from a technical, operational as well as financial perspective. Within the energy cloud there are two-way power flows, a lot more distributed energy resources like microgrids and distributed generation and storage. It really changes the dynamics of the electric infrastructure as well as the financials. When I start to produce my own power as a customer and I can sell it back to the grid, that changes the dynamics quite a bit.

Consulting: *What does Navigant's report say about the present and future of utilities industry consulting?*

Vrins: There's a lot of disruption happening, and renewables is definitely a big disruption to the industry. NRG announced bankruptcy of their generation portfolio, and we've seen previously in Germany as well where large utilities really took some significant write-offs and devaluation on their generation assets. A company like E.ON five years ago had a market cap of 44 billion euro, they took some depreciation of their generation in the last couple of years and actually spun out their assets into a separate company at the end of 2015, and E.ON's current market cap is closer to 12-14 billion because of the devaluation of their generation assets. That was mainly because of renewables that made it impossible for traditional generation plants to run profitably.

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Consulting: *What role do you see for utility industry consultants in the midst of all of this transformation?*

Vrins: As consultants, we really need to think through with our clients how to navigate this industry transformation. There will be winners and losers, there will be companies that are able to transform their business successfully and build new revenue streams, business models, and products and services their customers will buy. There will be other utilities that will be less successful, and they will see the value they provide to their customers, and with that shareholder value, decline. At Navigant we're seeing more and more need for clients to think strategically about their business, well beyond traditional business models. Electrification of transportation, energy management around buildings, microgrids. We're seeing a lot of new disruptive technologies becoming available at a very low cost. Now as consultants we need to bring those technology solutions to our clients and say hey this is a technology that will disrupt your business but it will also be an opportunity for you to build a new revenue stream and provide products and services and the underlying technologies to your clients.

Consulting: *How's Navigant helping clients move forward in this reality?*

Vrins: I think what we're bringing to our customers is how do you innovate? Utilities have traditionally innovated around that traditional business model, the old electric system infrastructure. But now they need to innovate around new markets, products and services and different technologies they haven't dealt with in the past. The pace of change and innovation is increasing exponentially. We see that with technology coming into the space and the prices becoming so cheap that utilities really have to innovate much quicker, they have to partner as well, we're helping them form partnerships and even acquire companies. That's what it does for our business; it's exciting. I always tell new consultants coming into our profession that Energy and Utilities is really a cool industry to be in now because there's so much happening from a technology perspective, from a regulation perspective, from a business transformation perspective. We're attracting a lot of talent, young people who are very interested in energy, to be honest, tied into global warming and what the industry can do to mitigate it.