



Editorial

Electricity industry crises

opportunities for DE

Crisis can be a good thing. It can bring about renewal, or it can make one reflect on better ways of doing things. There are many examples. In nature, severe forest fires are required for the seed germination of some tree species. In some biological populations, serious disease is often the mechanism for controlling excessive growth in numbers. In industry, a crisis can bring about the removal of an under-performing CEO and a new opportunity to turn the business around – consider Shell. Some of my UK contemporaries might remember a commonly cited solution to the economic and social problems of the 1970s and 1980s, thought by some to be caused by the fact that Britons were getting lazy and complacent: ‘what this country needs is a good war’.

In the electricity sector, a pattern of crises is emerging. Blackouts have caused North Americans, Europeans and others to seriously reflect on how to improve system reliability. Some countries face other sorts of crisis. Brazil has faced serious generation shortfalls in recent years and faces the prospect of their repeat within the next two years. Russia is virtually at the point where, if new generation investment is not made in a hurry, the lights will go off; its demand growth has been way ahead of expectation in the last few years. Chile faces another sort of crisis – Argentina has decided that it needs more of its own gas, leaving less available for its trans-Andean neighbour to burn in power stations. China faces ongoing shortfalls as demand accelerates, despite major new investment.

Yet, in its response to crisis, the electricity sector, and the governments that regulate it, sometimes shows that it has insufficient confidence in its capacity to renew, and so cling to traditional approaches. It can resemble a 19th century infantryman under fire from a 20th century tank who decides that a bayonet charge is his way out of trouble. Some of the crises currently affecting power markets relate to either insufficient generating capacity or to an inadequate network. The response is all too often to reinforce the struggling system

with traditional solutions – more central plants, more wires – rather than recognizing the potential for proven alternatives, including decentralized energy (DE) generation, to provide lower-cost and more effective solutions.

Why is this? A number of reasons: DE is viewed as disruptive to the traditional business, or is thought of as a source of power management and safety concerns, or even that it may become a threat to revenues. But this is increasingly misguided. In fact, DE is a wonderful tool for power companies to exploit to limit expenditure, improve efficiency and create competitive advantage – and can be fully complementary to the operation of existing assets.

The good news is that crisis may, after all, be the source of some serious reconsideration. There are several signs of this. In Chile, for example, the government recognizes that DE will probably have a major role to play to secure supply reliability in the short term. In Brazil, there is some confidence in the DE community that another supply crisis will leave DE as the optimal solution. After all, DE systems are quicker to build than mega-stations.

In short, a crisis feels terrible but can be the best thing to happen – even for the electricity industry. President J. F. Kennedy understood this when he said: ‘When written in Chinese the word “crisis” is composed of two characters. One represents danger, and the other represents opportunity.’

Michael Brown