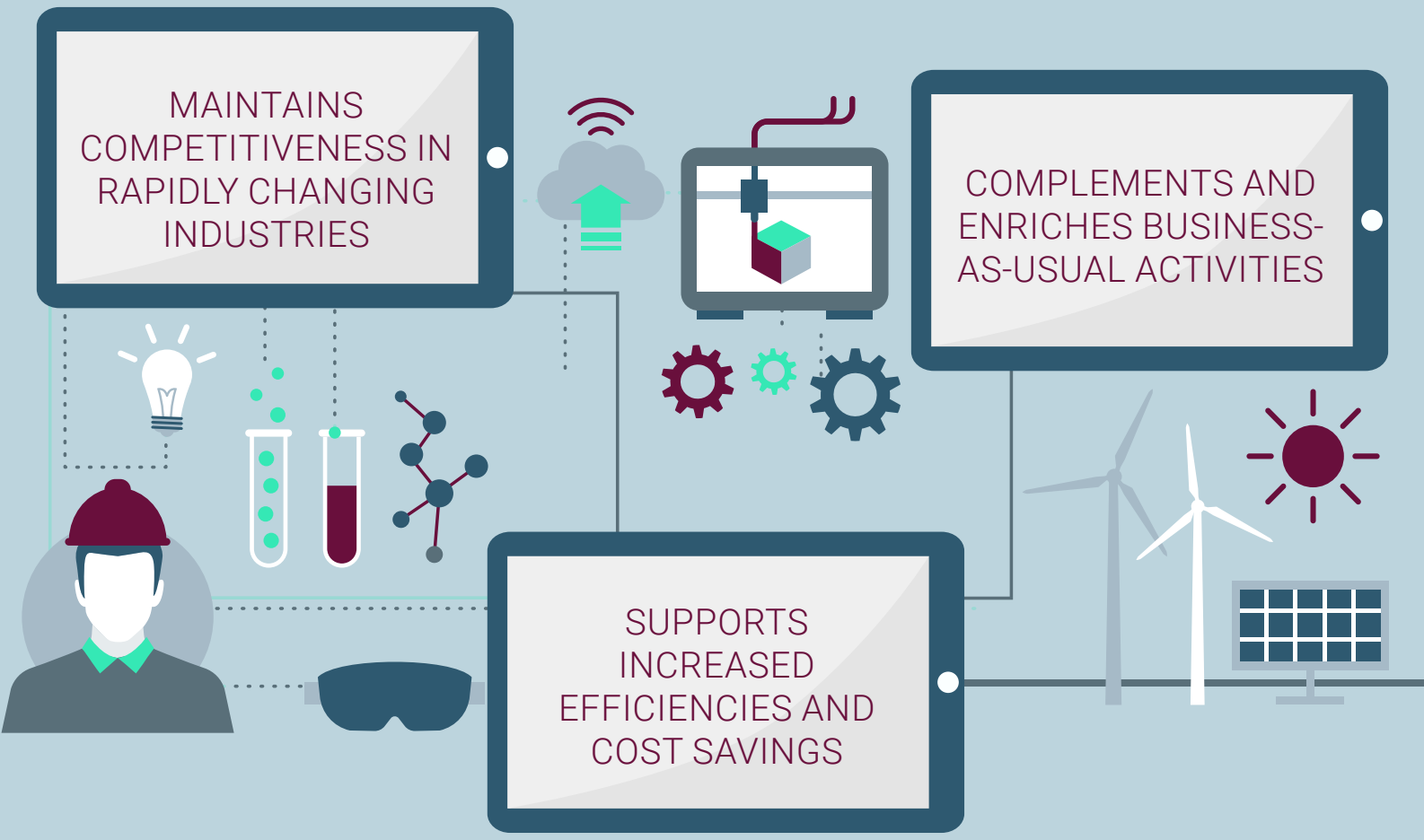


INNOVATION STRATEGY FOR UTILITIES DRIVING DOWN COSTS AND TRANSFORMING THE ENERGY SYSTEM

WHY IS INNOVATION STRATEGY IMPORTANT?



WHY IS INNOVATION IMPORTANT FOR UTILITIES?

Innovation is the main lever that allows utilities to prepare for, and adapt to, changes in the industry. The importance of innovation is reflected in the upcoming RIIO-2 price control where innovation takes centre-stage. Drivers for innovation include:



A shift away from traditional sources of energy – driven by decarbonisation targets



New requirements for networks – distributed generation, battery storage, and electric vehicles etc.



Changing consumer preferences – a focus on energy efficiency and increased control



Increased regulatory pressure to reduce costs while managing these changes

HOW SHOULD UTILITIES APPROACH INNOVATION?

In order to effectively leverage innovation, utilities require senior management buy-in, dedicated resources and a structured approach. Clearly defining the approach ensures that selected projects are aligned with wider organisational objectives and have the required space and resources for their development and implementation. Based on Sia Partners' research and practice in the area, there are four high-level steps to a successful innovation approach:



01

IDENTIFY

- Acquire:** look to purchase innovation start-ups
- Create:** establish a team or corporate vehicle dedicated to the creation of innovations
- Partner:** partner with start-ups, academic institutions, or other utilities to co-foster innovation



02

ASSESS

- Clarify** the value added by the project
- Estimate** the required resources of the project
- Evaluate** the feasibility and likelihood of success of the project



03

FUND

- Self funding:** for innovation projects that are necessary as a matter of course
- Network Innovation Allowance:** for small scale projects of any type, including commercial, technological and operational
- Network Innovation Competition:** for complex projects aimed at low carbon and environmental benefits



04

INTEGRATE

- Set out clear innovation governance**, including any relevant committees or decision making bodies
- Define key performance indicators** and innovation targets for relevant departments
- Involve employees** through trainings, assessments, and incentives

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