

Deregulate to Spur Microgrid Development

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Bill Watkins, Imergy Power Systems

How do we spur more microgrid development? Deregulate, says Imergy Power Systems' CEO Bill Watkins. The alternative is the energy equivalent of the Princess Phone.

What is the single, most crucial energy policy change needed in the US to spur microgrid development?

Deregulate the market and let people compete to sell electricity and other services directly to customers.

Utilities in most parts of the world operate under legal monopolies. They have to provide access to service to everyone in their territories and their rates and returns are fixed. As a result, they don't have a tremendous incentive to come up with new services. And any change or program they want to introduce will have to be thoroughly vetted in public hearings before it can be implemented. Innovation is just not worth it.

We can already see the results that come from opening up the last mile. Retailers in the U.K. and Texas are experimenting with a variety of customer acquisition and incentive strategies. Comcast is bundling TV and other services with power. Germany became a world power in solar through deregulation: the company's feed-in-tariff essentially gave everyone with a roof or some spare real estate the ability to become a commercial power producer. Increasingly, you'll see demand response services and time-of-use pricing programs rolled out through new providers.

Microgrids will become the natural outcome of greater competition created by true access to customers. They are small enough to be tackled by private investors. They are tailor made for new technologies like storage, solar and demand response. And they complement the reliability advantages embedded in macro grids. For example,

microgrids are [gaining](#) in popularity in New York City in part because some of the buildings that fared best in Superstorm Sandy were linked to their own microgrids. Grid-in-a-box services that provide businesses or consumers everything they need—renewable sources of power, energy storage, software for controlling peak power consumption, automation services—are, or could, become fairly common.

You're also going to see microgrids gain ground in emerging markets because there is no grid to disrupt. It makes no sense to build a Western-style grid in rural Nigeria when independent microgrids can provide better services for less. Foes and critics, naturally, will urge caution. The power system is one of the most vital infrastructures we have, they will say. Deregulation could retard necessary core investment or push additional costs of the grid onto people who can least afford it.

Those are very valid points, but they shouldn't stop progress. We lived through Enron. We have seen deregulation grow in Texas and the U.K. We have also seen how successful deregulation can be. We can craft policies that accommodate these concerns and still let people compete for the last mile of service.

It also needs to be pointed out that the macrogrid, and the utility rate structure, exists only because of the state of technology in the 1920s. But technologies evolve. Solar panels are now cheap. Energy storage makes it possible to separate generation from transmission and distribution. Software now allows businesses and consumers to dim lights or turn down air conditioners. Microgrids give us the benefits of the macro grids without the nasty overhead.

Deregulation isn't perfect. Clearly, more caution should have been used when they deregulated banking and mortgages. But look at phone service. AT&T enjoyed a monopoly for decades. The company invented the solar cell, UNIX and the transistor. But when it came to consumer innovation, the company often fell flat. AT&T didn't rush to give consumers wireless phones. It wasn't pushing the Internet for consumer uses.

Instead, it gave us the Princess Phone.

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