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**THE BRATTLE GROUP'S PETER FOX-PENNER DESCRIBES VISION FOR THE FUTURE OF UTILITIES AND OUTLINES A RADICAL REDESIGN OF BUSINESS MODELS**

**Washington, DC, April 13, 2010.** Peter Fox-Penner, principal and chairman emeritus of *The Brattle Group* and an internationally recognized expert on energy and electric power industry issues, describes his vision for the future of the power industry in his new book, *Smart Power: Climate Change, the Smart Grid, and the Future of Electric Utilities*. He concludes that the industry's century-old business model must undergo a radical redesign in order to adapt to an era with new priorities, goals, and technologies.

"Utilities are facing the biggest challenges in their history as they deal with the combined impacts of climate change, energy efficiency policies, and the smart grid," noted Dr. Fox-Penner on Friday during a panel discussion that introduced his book at The Brookings Institution. "The smart grid, both a game changer and the key to ensuring the industry's long-term health, will provide dramatic new opportunities for customers to control their power usage and for utilities to change the way they operate, allowing them to transform from regulated commodity energy firms to low-carbon network operators," he said.

Utilities confronting the challenges of this new paradigm find themselves required to both sell and save electricity while making massive investments in new infrastructure, raising difficult financial, regulatory, and business strategy questions. The book examines a number of strategies for the development of an energy efficient business model, and reviews the current prospects for long-term power generation alternatives, from solar panels attached to homes and offices, to new coal-burning plants that will allow for the capture and sequestration of carbon emissions.

Dr. Fox-Penner proposes that utilities integrate energy efficiency into their mission and business models. In one proposed model, regulated utilities turn into "smart integrators" that operate an energy delivery and information network but do not own plants or sell power into the grid. These new utilities would keep supply and demand in balance and run smart grid programs, enabling customers to shift their electricity usage as prices change during the day or swap power in and out of the grid from hybrid vehicles. Customers would choose power providers and efficiency contractors, and the utilities would handle the transactions. The second option is the creation of an "energy services utility." These utilities will sell energy services such as heat and light, rather than kilowatt-hours, to their customers.

Dr. Fox-Penner offers three recommendations for the utility industry. First, he notes that the passage of an economy-wide price on carbon would provide the industry with more clarity and better price signals. He also calls for greater discussion on how to maximize cost effective energy efficiency and the role of utilities in this mission, a dialog currently led by the Obama Administration. Finally, he suggests that the federal government fund an academy for energy regulators to foster a greater understanding of the day-to-day challenges of the coming transition and to create a resource base for impartial, depoliticized analysis of complex transition questions.

*Smart Power: Climate Change, the Smart Grid, and the Future of Electric Utilities* (Island Press, April 2010) is available at [www.smartpowerbook.com](http://www.smartpowerbook.com) or [www.islandpress.org/smartpower](http://www.islandpress.org/smartpower).

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