Are you **Blockbuster** in the Age of **Netflix**?

The utility industry will transform. The important question is not how, or when, but who do utilities want to be to their customers in five years? In ten? What will customers accept? What will they expect?

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Netflix is an entertainment company. But they did not start out that way. Netflix launched in the face of a transformation — the move from VHS to DVD technology. With this newer, lighter, and more portable product, Netflix devised a subscription service that brought DVDs to consumers' doors. Netflix soared in this time of industry disruption. Then, almost as fast as it took off, Netflix was on the verge of failure when customers began to stream content instead of renting DVDs. Rather than panic, Netflix pivoted quickly with the market, leveraging its website to offer streaming. And, as consumers clamored for more on-demand content, Netflix all but invented binge-watching. They also started creating the most captivating new entertainment, recently eclipsing HBO in Emmy Award nominations for the first time.[1] How did this organization grow from Blockbuster's biggest rival to competing against big cable and the world's largest media companies? Netflix defined its core value and delivered it, irrespective of the technologies that enabled it. By focusing on entertainment and not DVDs, Netflix created its own niche and redefined the home entertainment market.[2]

What does Netflix have to do with utilities? Now, more than ever, it is critical for you to define your irreplaceable value to consumers. Emerging energy companies are changing how consumers access, pay for, and use electricity.[3] As your customers become prosumers — active participants who produce and consume their own electricity — you have to reassess who and what you want to be to them.

As blockchain technology becomes more prevalent, pilots on transactive energy and blockchain-enabled companies are looking to provide direct-to-consumer and consumer-to-consumer power trading.[4] These companies are defining their value — offering access to lower energy prices and cleaner power by cutting out brokers and providing the technologies necessary for consumers to play in the energy markets themselves.

Consumer demand is pushing you to innovate, whether you realize it or not. While many suggest that we are light years away from these prosumer models at scale, we need only look at California to see how rapidly energy markets can change under consumer demand. Unlike Netflix, utilities were caught off guard by demand for cheap, renewable power. Since 2010, community choice aggregators (CCAs) have rapidly taken over key customer-facing relationships from the state's investor-owned utilities (IOUs) with the promise to deliver on these demands. Now, CCAs are expected to serve 85% of the state's customers by 2025.[5] Similar legislation establishing CCAs has been passed in New York, Massachusetts, Illinois, New Jersey, New York, Ohio, and Rhode Island.[6]

TRANSACTIVE ENERGY PILOT

The pilot uses energy management systems in volunteers' homes and businesses paired with a two-way subscription tariff. This provides customers with predictable, fixed monthly bills and real-time price signals that pay them for saving energy and charge them extra for above-average use.

The pilot explores how the technology works and how customers interpret and react to the true cost of power.

The problem? Customers don't easily understand the concept of transactive energy or the hyper-technical terms used to describe it.

Disruptive technology is great, but if you can't speak to customers on their terms, it's dead on arrival.

We developed uniquely tailored marketing tactics to reach the ideal customers. We paired that with a compelling script and visual branding guide that customers could understand.

By getting the designers to think like a customer, we helped them get the go-to-market strategy right.

Consumer choice does not always equal equity and reliability. Currently, CCAs receive many of the benefits of California's electric grid without sharing the risks or cost of its development and maintenance. Furthermore, CCA's desire for clean power, absent careful regulation, has made access deeply inequitable. Unsurprisingly, CCAs have sprung up in communities that have the political, economic, and social capital to legislate such demands. As one utility leader put it, the expansion of CCAs looks like a contagion map spreading among the wealthy coastal communities and slowly moving inland. If this trend continues as expected, the state's IOUs will be left serving the hottest and most expensive regions in the state that are also the most economically disadvantaged. As a result, economically and politically disenfranchised communities are shouldering the cost of the choices made by wealthy, coastal communities as they pay for infrastructure maintenance and policy-making that enabled CCAs in the first place.

We need you to innovate so you can stay the same. Unlike Netflix, the California IOUs provide an infrastructure and service that is vital to the well-being of the public. The metaphorical equivalent would be if Netflix scouted talent, built content, retailed it, and owned the internet technology and fiber required to deliver it. This difference is critical to the long-term stability of our energy resources. You have to continue being the stable, reliable, and conservative system planners we need to avoid service interruption and protect the grid from all manner of threats. In this moment of disruption — from CCAs to transactive energy to direct-to-consumer brokering — how can you innovate to continue playing the role we all need you to play?

Your only asset is your customer relationships—how can you maintain them? You should get clear on your unique value and offerings to stay on course with customers. How can our heavily regulated industry follow the lead of nimble companies like Netflix to transform your images, brands, and relationships to not only sustain revenue, but to thrive in a prosumer future?

Throughout this magazine, we attempt to answer this question by providing insight into where the market is going and the research-driven approaches that can help you identify your unique value and innovate while safeguarding your core role. We discuss the design-thinking process (page 11), how to identify what you don't know you don't know (page 43), and ways to capitalize on your existing customer relationships (page 33). But, of course, these pages cannot contain the multitude of ideas and talents of our team (page 25) — for that, we hope to work with you one-on-one and help you move forward. ■