



## Will Solar Power Kill The Utility Companies?

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Richard Read, *Guest blogger* / June 2, 2013

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Did TV kill the radio star? No.

Improvements in solar technology, along with rate hikes that make energy more expensive and tax incentives that encourage consumers to make their homes more energy efficient, will soon upset the delicate monopoly that utility companies have maintained for a century. In addition to rate hikes that make energy more expensive and tax incentives that encourage consumers to make their homes more energy efficient, the industry is also witnessing a rapid drop in the cost of solar energy hardware. Between 2008 and 2012, the price of photovoltaic panels fell from \$3.80/watt to \$0.86/watt – and all indicators say we're heading still lower and more efficient.

**Rajiv M.** • Never... Utility companies sell power. They will move to solar. Yes will oil and coal be replaced by solar? Yes most likely.

**Patrick O.** • I don't think so. Utility companies will simply move to using solar power and use their political clout to make sure they keep control of the energy distribution process. Every project I have worked on has to be approved by Pepco, so they are hardly losing control of anything by the growing use of solar power .

**Robert B.** • They may not kill them, but it will cause a change in the business model. Utilities can't absorb the costs of rolling reserves for customers who are regularly buying power. It will be the traditional customers of the utility who drive the change once they get tired of suing increased costs.

No doubt the utility company's business model will change, and has changed in recent years. You can bet your right arm that utility companies have also had this discussion, and long before we have. Without the support of our massive and all powerful utility companies, we would not be able to install solar energy systems for our own financial gain at all.

Improvements in energy storage technology will also have a major effect on our adoption of solar energy. Every week, it seems like someone or other develops a new battery that can hold more power and do so longer than those on the market today. Pair those batteries with a solar setup, and you give customers something terrifying: access to 24-hour power.

Analysts at EEI worry that all these factors may encourage more customers to switch to solar. As they do, they'll begin using the grid as mere backup, in much the same way that cell phone owners hold onto their rarely used landlines -- putatively as a backup, but really, just for nostalgia's sake.

That, in turn, will lead to a drop in profit at utility companies, which will reduce the dollars they spend maintaining the grid. That will cause the grid to become even less reliable than it is today, forcing even more customers into the bright, shiny embrace of solar energy. In common parlance, that's called a vicious circle, but the technical term is "Oh, we've reached the tipping point."

At the moment, solar makes up less than 2% of the U.S. energy mix, but the article cites Bloomberg Energy Finance, which predicts 22% annual growth in photovoltaic sales for the coming years. By 2020, such expansion could begin the demise of smaller, weaker, less profitable utility companies.

So what are the utilities to do? Judging by the wrap-up on page 19 of the EEI report, it appears as if they're going to do what they've always done: charge customers more while begging states and municipalities for breaks so they can remain profitable. They sure as heck won't lay all their cards on the table.

In summary, I would not worry about the utility companies. They're big boys. They can figure it out. Or not. In the mean time, we in the solar energy industry, are working diligently to install as many megawatts of solar energy that we can, saving as much money for our customers as we can, until the system says we can't.

Frank Scotti is the Experience Director at Solarponics, California's oldest continuously operating solar energy company in California.

Edison Electric Institute, Disruptive Challenges, can be downloaded at:  
<http://www.eei.org/ourissues/finance/Documents/disruptivechallenges.pdf>