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Energy supply in the digital world

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Similarly to other industries, the European energy industry is undergoing major changes. Trends generally known as 3D - decarbonization, decentralization and digitalization - determine the future of the energy industry. This goes for Europe as well as for Hungary, and this is reflected in the strategy of the Ministry of Innovation and Technology too.

Digitalization changes processes in every company, but in each industry companies play different roles in universal digitalization that will change all our lives. As a result of the pressure of change, energy suppliers are the engines of growth and are also beneficiaries of the new opportunities. However, if they do not follow the changes, their business may be challenged by new, disruptive market players.

Energy suppliers as engines of growth but how? They are usually traditional and somewhat old-fashioned companies. Significant changes resulting from the growth of the energy industry force companies to consistently implement efficiency improvements that are subject to severe cost pressures due to the drop in

margins in the network and energy sales segments alike. This can only be counterbalanced by a thorough analysis of the processes and by examining the possibilities of digitalization. The classic cost-cut programs for top-down savings here and there are no longer sufficient. This is especially true for Hungarian companies in Central and Eastern Europe, where end-user prices are regulated and maximized for political considerations. Because of this pressure, both the managers and the employees of the energy suppliers are ready to make changes. This is a prerequisite for the essential review of processes and the exploitation of digitalization opportunities.

The examples include human resource management processes from recruitment to staff development, procurement and the entire billing process, as well as operation and maintenance, sales and customer service processes. The list could be expanded as desired. Naturally, this must be consistent with the willingness of the regulatory authority and the legislators to change existing and established legislation.

The opportunities for digitalization should also be provided through legislation. Recently Hungary achieved fine success in this field as a result of cooperation between the ministry, the regulatory authority and the companies. As of January 1, 2019, it is possible for users to carry out the mandatory annual meter reading themselves by sending a photo of their meter reading to their energy supplier with the help of an application.

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Managing a wide range of transactions from meter reading to cash collection, from complaint management to network connection is a significant cost factor that needs to be controlled. You can only operate profitably and by focusing on the interest of the customers, if you exhaust all the possibilities of digitalization. Residential consumers expect to do business with the energy supplier quickly and simply.

In terms of customer service, energy suppliers have long been comparable, e.g. with mobile operators or airlines. An industrial consumer implementing an investment expects to have its network connection or capacity expansion request attended to quickly. Statistics on the length of such processes affect the judgment of a country - in our case Hungary - as an investment target.

The digitalization of processes, in addition to promoting cost saving, contributes to the country's economic growth as well. Naturally, these are only a few random examples.

One might think that the amount of data that is being managed offers enormous potential for energy providers. It is being loudly claimed everywhere that “data is the new currency”. Let us look at this a little closer. Energy suppliers manage customer data that are subject to special judgment. GDPR is the name of the new regulation, which has to be taken very seriously by the industry, as the violation of the rules is penalized by a certain percentage of the group's annual sales revenue. It is therefore a mistake to think that there is huge business potential in the data. At the same time, energy providers are benefiting from electrification which is spreading along with digitization.

The huge amounts of data demand significant server capacity, whose operation and the necessary air conditioning of the server rooms require energy. The mobile devices also work with electricity. Heat pumps and electric cars are further examples for growing electricity demand, which creates new opportunities for the energy industry. This progressively digitalized and electrified world hinges on an increased security of supply and proper management of the non-scheduled service disruptions.

The energy suppliers are working to target their investments at automating networks and building so-called smart networks.

In this field, the Hungarian regulation with the SAIDI / SAIFI indicators and the encouragement of smart networking is already guiding. With the increased automation of network infrastructure, we managed to skip technological cycles compared to Western European energy providers.

The huge amounts of data also need to be transported, which can be done most reliably on optical networks.

Here, entirely new opportunities open in the field of infrastructure services: in addition to the electric grid, the energy suppliers can also make available their optical network, for which demand is growing steadily as a result of the

spread of digitalization. New business models are emerging in partnership with telecom operators.

In telecommunications, the 5th generation mobile service requires multiple looped telecommunication networks. If the energy provider connects its existing infrastructure

of versatile use with the optical network and with microcell mobile technology, it becomes a highly sought-after partner among the telecommunications companies.

If the energy provider extends its value creation chain and, by taking advantage of its infrastructure, such as public lighting and optical networks, provides solutions and tools like sensors, cameras, wifi and advertising space, then this combined service package will quickly become the backbone of public digitalization. However, besides public use, business models can also be developed from these services for business customers.

This way the energy provider becomes a digital service provider too.

All these arguments prove that energy providers make good decision when they provide opportunities to their employees to develop further in the field of digitization and also allocate resources for such training. In this way, the efficiency of work is increased and the labor shortage that is often mentioned as a problem in Hungary becomes manageable.

If energy suppliers do not pay enough attention to these issues, new market players will erode their traditional business in a disruptive way.

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