



WITH GREATER CLARITY OF VISION AND LEADERSHIP, EVERYONE WILL FOLLOW



In the first of this short series on the pivotal role the energy markets will play if we are to get back on track in the race to Net Zero, we discussed the urgent need for more and more products and services to be produced by sustainable means – and for them to be affordable, easy to access and

simple to use. Only then will we begin to achieve the mass consumer participation that brings Net Zero back into range.

Our greatest challenge is that, currently, uncompetitive prices, lack of availability and perceived complexity are still pushing too many consumers in the direction of high-carbon, unsustainable solutions. And with the impact and aftershocks of COVID-19 already squeezing both national and personal finances, this conundrum is, by the day, becoming more and more complex.

But in so many ways, this growing complexity is bringing the task into even sharper focus. Our range of options are narrowing, and the only logical way forward is becoming clear. We must move on and leave our traditional structures and ways of working behind.



Consumers can flex demand but having visibility, or fixing problems of supply is not in their gift, which makes reducing demand according to supply issues currently impossible. The energy markets, policy makers and our entire system of energy market governance, must leapfrog

current thinking, and empower the energy market to deliver innovative, automated and affordable solutions that enable industry to produce the sustainable products and services for which there is clearly a growing appetite.



Much has been achieved in recent years – but solar panels, heat pumps, electric vehicles and the rest must become the norm, the default position, not nice to haves, if you can afford them. But simply catching up is not enough in itself.

The global energy system's key participants must go much further, much faster, if they are to avoid isolated islands of activity that are not interoperable, resulting in stranded assets and wasted investment. They must be bold; they must take the initiative. In short, they must lead. If they don't, who will?

There are already worrying signs that, in the absence of sufficient vision and leadership, small, localised and disconnected solutions are filling the space created by inertia and limited progress. And while many of these efforts are laudable and successful in themselves, illustrations of the transformative powers of today's technology, in the context of Net Zero, there are very real concerns that they will result in fragmentation, dilution of effort and loss of focus, or that they simply won't deliver at scale.

The traditional energy market institutions must come together and act in unison to create the vision, framework, alignment and momentum for fundamental and lasting change, as well as creating a philosophy and an environment in which innovation can thrive and be scaled and brought to market effortlessly and at pace.



To illustrate the scope and scale of the shift required, if Energy 1.0 was the original state monopoly, Energy 2.0 was about enabling competition, and Energy 3.0 was about the arrival of renewables, an incremental step change to Energy 4.0, will not be enough.

Instead of a step, we need a leap: Energy X.0, a reimagined, flexible and agile market, without barriers, a blueprint where far greater participation, real competition and rapid innovation is encouraged, and exciting new products and services are developed, launched and consumed at high speed, at affordable prices. In the past, too many great ideas have taken far too long to mature.

There must be a focus on strategy, as well as tactics, on smart energy management, not just smart meters, on big ideas as well as low hanging fruit.

The leap to Energy X.0 is one that that we can undoubtedly achieve because it's been done before. In telecommunications, for example, the deregulation of landlines and introduction of mobile, within a national framework and with clear standards and procedures, understood by all, resulted in ground-breaking industrywide innovation and transformation. Flexibility, agility and efficiency, within recognisable controls, helped to create a dynamic, fluid, seamless and simple consumer experience, delivering huge benefits for individuals and businesses alike.

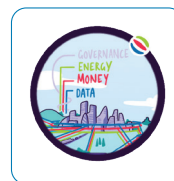


Creative thinkers, entrepreneurs and new entrants will always participate, if they feel that the system in which they're operating is agile, flexible and fair, one where they have a voice and a fighting chance of making good returns. The UK is full of innovative organisations

just like this.

So, now's the time to be brave and aim high. Around the world there are great examples of traditional thinking and accepted ways of working being swept away in favour of ambition and commitment to new thinking and an acknowledgement that change is essential. This is the challenge the institutions that make up the energy industry must embrace – as we know they can.

What do we mean by new thinking? Well, here's just one example; Here in the UK, we are told that the transition to half hourly settlement will be completed by the end of 2025, while, by contrast, on 1 October 2021, the Australian Energy Market Commission (AEMC) implemented five-minute settlement windows for spot prices in the National Electricity Market (NEM)*.



Isn't the real thinking required therefore this: How and when can we achieve real time energy industry operations, that drive the right consumer behaviour and demand to match the more intermittent supply of renewables – embracing money, energy flows and data? The technology capabilities already exist, all that's required is the vision, ambition and united, galvanised action.



This is what will deliver clear signals to everyone – on pricing, energy availability, quality of service and carbon content that will drive behavioural change by individual and business consumers alike, enabling them to reduce consumption at times of higher prices and swift and easy

switching between suppliers to access energy from the most sustainable sources.

In our next bulletin we will take these ideas further, with our own vision for how to achieve a new energy market

Meanwhile, if you would like to share your point of view, or you'd like to find out more about our thinking, we'd love to talk to you, to see how we can collaborate for the greater good, for Net Zero in 2050.



Georgina Maggs

Business Development Director,
Energy & Utilities, Capgemini



Julian Keates

Senior Director,
Energy & Utilities, Capgemini



Carl Haigney

Vice President,
Head of Retail Utilities, Capgemini

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