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Setting the Stage for Residential Energy Management

AUTHOR

Bill Ablondi, Director, Home Systems Research, Parks Associates

Parks Associates hosted **Smart Energy Summit: Engaging the Consumer** at the end of January in Austin Texas. Event attendees included 150 executives from leading utilities and companies active in energy management and smart infrastructure. I launched the inaugural Smart Energy Summit with the session "Setting the Stage" on January 26, 2010, and presented data from Parks Associates' landmark **Residential Energy Management** project, which includes a nationwide survey of U.S. consumers that gauges their current use and opinions regarding advanced energy solutions. One key finding is that consumers are growing more aware about their energy consumption. Eighty percent of U.S. households are interested in learning more about how to cut their energy costs (although this interest does not equal a desire or need to learn about smart grids, which will be discussed later). Over one-half already have a programmable thermostat, meaning the majority of U.S. households have at least one energy-saving device in their home.

If current utility plans come to full fruition, U.S. households will soon have many more energy-saving options through AMI (advanced metering infrastructure) deployments. Utilities have deployed over 13 million smart meters, with plans to install 50 million more over the next five years. Predictably, other firms are eyeing this space for new market opportunities, hoping to build off this new bedrock technology and create more avenues for service and product opportunities in the home.

However, before much business can happen, some entity will likely have to launch a massive consumer education campaign, if companies vying for market space here hope to succeed. Right now, consumers are interested in energy efficiency, but they are largely uneducated or unaware of current initiatives. They don't know what a smart grid is – but they don't really need to know. In fact, getting into the weeds with that type of terminology could muddy the message – or worse, cause a consumer backlash. Over one-third of consumers do not want their utility to control their in-home systems, which can create a perceptual challenge beyond the mere technological capabilities of a solution. If consumers feel a technology is too invasive or would compromise their privacy, they will pull back their usage.

It is in the market interest of each player to overcome these challenges. Consumer interest in energy efficiency is very high – and the desire for cost savings is the primary driver, which means, as long as energy prices remain high, interest will sustain. Currently over one-half of all households are interested in buying products to conserve energy, and generally they are willing to pay $80-$100 for such a product or system.

A key question then is who or what will step up to fill the information gap for consumers. There are multiple players who could take on this role, based on the number of different types of companies that could benefit from a deployed and functional smart grid:

- Communication service providers
- Utilities and electricity suppliers
- Smart grid enablers
- Metering solutions manufacturers
- Home Area Network (HAN) solutions and component providers

Another question is how consumers will interact with the smart grid, even if they are not aware of exactly what it is and how it works. Will the utility control their interaction, or will consumers be able to use systems and services not provided or controlled by utilities? In fact, on February 23, the White House Office of Science and Technology Policy (OSTP), with the National Institute of Standards and Technology (NIST), launched a public forum to solicit views on this question. To participate or view the discussion, go to the **Office of Science and Technology Policy Forum: Consumer Interface with the Smart Grid**.

In addition to these issues, there are many technologies vying for a place within the HAN domain, but there is not a single, emergent winner as of yet. It is likely that several approaches will gain traction, but the multitude of alternatives may impede market development in the short term. Perhaps the most favorable scenario for the development of a robust residential energy management market is for a market mover, e.g., Google, Intel, or Microsoft, to throw its considerable market strength into the smart grid space and create a *de facto* standard.

In the end, the smart grid is a new technological approach for supplying and using electric power. And, as with the adoption of anything new, there are a series of hurdles that must be overcome to gain widespread acceptance and use:

- Price – in this post-recession era, consumers are hesitant to spend, unless the benefit matches or exceeds the cost. And with energy-saving solutions, the benefits can be greater – but they are often delayed, forcing a (perceived) up-front loss.
- New learning – it is unavoidable. No matter how simple a device is, new technology requires new learning – and energy solutions can have notoriously large operating manuals.
- Demonstrability – where can consumers go to see a smart grid in action?
- Infrastructure – providers have to be able to support existing devices within the home. The smart meter cannot be the first of many new devices required for the home to see real energy savings, otherwise interest and compliance will plummet.
- Assurance – people can be skeptical about the efficacy of a solution where the benefits are not immediate. Smart energy solutions have to overcome this skepticism – which can be accomplished in part by showing real-time monitoring and household energy usage to consumers (again, provided that the provider can show a complete and accurate picture of the home system).
- Intensity of need – as energy prices increase, the need for these solutions will increase dramatically – so it is important to have the groundwork in place today.

Parks Associates analysts and market executives discussed this topic in depth at **Smart Energy Summit**, and it will come up again at **CONNECTIONS™,** June 8-10, in Santa Clara. CONNECTIONS™ will have a Smart Energy track with the latest REM consumer data and analysis. The sponsor showcase will include an energy pavilion, featuring networking opportunities and demonstrations for the smart energy and home management market.

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Parks Associates is an internationally recognized market research and consulting company specializing in emerging consumer technology products and services. Founded in 1986, Parks Associates creates research capital for companies ranging from Fortune 500 to small start-ups through market reports, primary studies, consumer research, custom research, workshops, executive conferences, and annual service subscriptions.

The company's expertise includes new media, digital entertainment and gaming, home networks, Internet and television services, digital health, mobile applications and services, consumer electronics, and home control systems and security.

Each year, Parks Associates hosts executive thought leadership conferences CONNECTIONS™, with support from the Consumer Electronics Association (CEA®), and CONNECTIONS™ Europe. In addition, Parks Associates produces the online publication Industry Insights in conjunction with the CONNECTIONS™ Conference series.

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About the Author

Bill Ablondi
Director,
Home Systems
Research,
Parks Associates

Bill Ablondi is an information technology market analyst with 25 years experience advising computer and related peripheral manufacturers, software publishers, communication service, and Internet providers. He has directed syndicated advisory services and related custom consulting activities for several leading research firms in addition to Parks Associates.

Bill began his information technology career as an engineer and business development manager at Texas Instruments. He holds a BS in chemical engineering from Rensselaer Polytechnic Institute and an MBA from Columbia University with a concentration in management science, emphasizing operations research and finance.

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