



Plugged In

Issues impacting the power and utilities industry



Part 3: Network integrator planning framework

In this edition of KPMG LLP's (KPMG) Global Energy Institute's *Plugged In*, we asked Todd Durocher, Kelly Stephenson, Kyle McNamara, and Michael Piotrowski about recent disruptive technologies within the power and utilities industry. This three-part issue explores the journey from a national distribution utility to a network integrator. In this third part, we discuss how the network integrator planning framework helps utilities with this journey.

1. It seems that flexibility is a core requirement for network integrators. How do we adjust our planning frameworks to improve business flexibility?

We have developed the network integrator planning framework to help utilities on their journey from a standard utility distribution company to that of a network integrator. The framework consists of three distinct but integrated aspects with regard to the evolution of the industry. The strategic focus begins with understanding the market, customer, and system requirements. From there, the strategic intent is passed down to operations and finance in order to determine and translate the strategic objectives and goals in a realistic manner. Throughout the process, finance and operations work together to understand investment costs, benefits, and alignment.

The framework integrates operational advanced energy technologies with traditional energy system infrastructures and operations. This framework provides the governance principles, methodology, and tools to guide cohesive enterprise and functional planning for development and deployment of technology and operational capabilities as a system that is reflective of the enterprise's market, operating, business, and organizational context. The framework drives investment given a utility's specific needs and value projections and includes all enterprise planning areas, such as strategic, market, operational, customer, information/operational technology infrastructure, capital/finance, regulatory, and risk management.

Welcome to KPMG Global Energy Institute's *Plugged In*. Specialists address key issues in the power and utilities sector. *Plugged In* offers insight from KPMG thought leaders on the trends that are driving and shaping power and utility companies today.



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About the GEI

The KPMG Global Energy Institute (GEI) is a worldwide knowledge-sharing forum on current and emerging industry issues. Launched in 2007, the GEI interacts with its over 30,000 members through multiple media channels, including audio and video Webcasts, publications and white papers, podcasts, events, and quarterly newsletters. To become a member, visit www.kpmgglobalenergyinstitute.com.

Additionally, the framework helps operationalize technologies across multiple utility functions to strengthen investment benefits. This pragmatic approach helps ensure investment decisions are clearly aligned to specific needs and value, expected market and business performance improvements, and measurable corporate- and functional-level metrics that provide a clear “layman’s” case for customer/ stakeholder education, support, and rate recovery.

2. What about utilities that have already begun the transformation, for example by incorporating distributed energy resources into the grid?

Forward-thinking utility leadership has been adopting a more holistic planning and implementation approach to focus on the adoption of new technologies, the increase in third-party relationships that provide innovative customer products and services, and the management of the grid performance and data provisioning to all value-chain stakeholders. Regardless of where you are within this transformation journey, we suggest following or incorporating these transformation steps in order to implement the planning framework:

— Step 1: Develop a strategy and business model.

The goal of this step is to develop a network integrator target operating model that will be translated into an implementation road map. The operating model is developed after validating the current state, gathering business requirements, and developing hypotheses (options) to improve performance. The operating model provides a consolidated view and a common understanding of the way the enterprise wants to run its business and therefore provides a common language for communication.

— Step 2: Build and deploy a new operating model. The goal of this step is to build the essential elements of the target operating model and prepare the organization for its deployment.

— Step 3: Execute go-to-market activities. The goal of this step is to monitor the deployment to help ensure the operating model meets the utility’s objectives.

3. What would you say are some of the key attributes of the network integrator operating model?

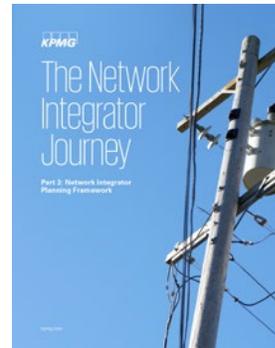
Utilities that become network Integrators need to adopt or increase their focus on capabilities such as change management, new processes to support agility, partnership programs, and brand management. These capabilities are newer for or increasingly important to utilities under this new model, given its focus on integrating new sources of energy and increasing customer loyalty.

4. Are there other key ways that the network integrator planning model differs from the traditional distribution planning model?

Asset efficiency and operating margins will continue to be major economic drivers. Revenue growth will become increasingly important as distributed energy resources and customer-side generation shift the utility’s fuel mix. Deployment of a driver-based economic (cash flow) model with the requisite scenario and risk analysis will provide utility leadership with insightful and realistic options for decisions.



Expand on Part 3: Network integrator planning framework by viewing this video.



Dive in deeper to Part 3: Network integrator planning framework by viewing this brochure.

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