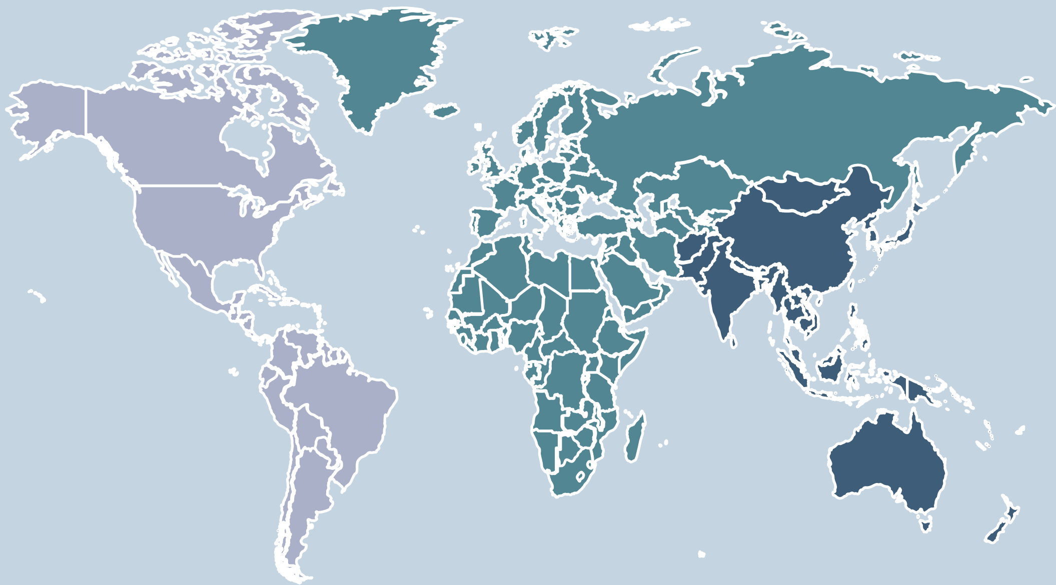

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Managed Services:
Smart Metering-as-a-Service (2021 – 2030)

Electricity, Water, and Gas Metering

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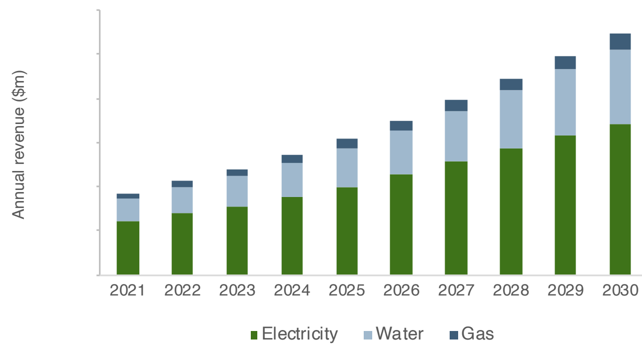
Managed Services: Smart Metering-as-a-Service (2021–2030)

Managed services—the outsourcing of daily operation of a company's specialized processes—has become increasingly popular across numerous industries. Managed services represent a more holistic approach to outsourcing that is value-added, long-term, and subscription-based. As leading smart metering vendors have unveiled managed services solutions, the model has become an appealing option for utilities that are deploying advanced metering infrastructure (AMI) for electricity, water, and gas.

GLOBAL SMaaS FORECAST DATA BY SEGMENT (ANNUAL REVENUE) ($M)

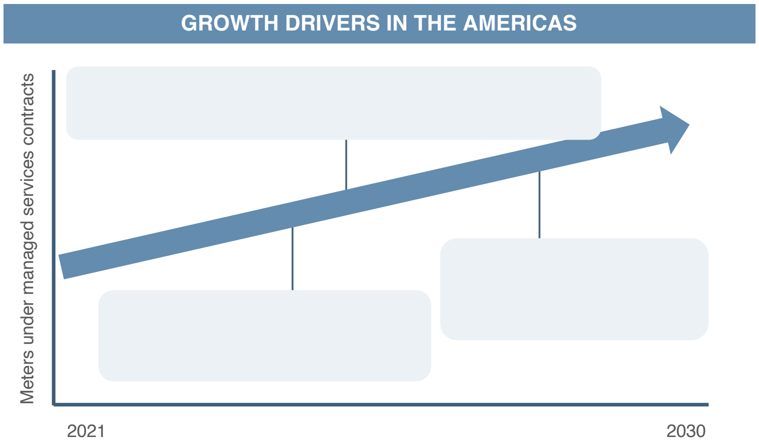


The simplest and most common form of managed services for smart metering—from here on referred to as Smart Metering-as-a-Service or "SMaaS", or simply "managed services"—is cloud-hosted software, also known as Software-as-a-Service (SaaS). Utilities are frequent users of SaaS, and for AMI this typically includes a head end system (HES), meter data management system (MDMS), and analytics software. The next tier of managed services for AMI includes full or partial operation of the various AMI systems, in what is called Metering-as-a-Service (MaaS). Included in MaaS can also be the provision of network services, known as Network-as-a-Service (NaaS). A final tier above MaaS is then achieved by leasing all meter hardware on a subscription basis. With capital converted into a service, this represents a total services-based approach to AMI deployment as an infrastructure project, known as Infrastructure-as-a-Service (IaaS).

There are numerous benefits to entering an AMI managed services contract. Deployment time can be cut in half. Entrusting data to a highly competent third-party vendor can provide heightened cybersecurity. Perhaps most importantly, managed services can mitigate the significant upfront costs of AMI deployment, converting them instead to a recurring operational expense. This opens the door for utilities—often smaller in size—that cannot make such a large initial investment. In essence, they are borrowing economies of scale from vendors.

To date, the US has been the strongest SMaaS market by far, due in part to the prevalence of cloud computing. Scandinavia trails not far behind, as Sweden, Norway, Finland, and Denmark—often forerunners of utility and energy innovation—have been the site of several high profile SMaaS projects. In the US and Scandinavia, large utilities are increasingly entering managed services contracts, opening up the global market considerably as dozens of large utilities across emerging market regions prepare for their own AMI rollouts.

Despite these advantages, obstacles remain. These solutions represent a novel approach, one that the majority of utilities may be reluctant to embrace, at least at first. Overcoming conservative utility mindsets will take time. Another barrier is the current regulatory framework in many markets, as SaaS and other service-based investments are treated as O&M and not capital investments, creating a disincentive to



Source: Northeast Group

investment. Regulatory evolution is needed for managed services solutions to be considered on merit rather than accounting classification.

Managed services offers a glimpse into where the smart metering industry could be headed, how those utilities that have yet to deploy AMI can do so, and how those that have completed deployments can extract greater value from their investment. It will also be beneficial for vendors as the service model creates longer-term relationships and recurring revenue streams. Leading vendors are expanding and promoting their service solution portfolios, which remain a relatively small but increasingly high-margin and fast-growing segment of their business. Further, their links with global cloud providers and telecom operators are being strengthened to enhance these offerings. Looking forward, the question will be to what degree managed services becomes the norm for utilities.

Key questions answered in this study:

- How large will the global managed services market be over the next decade?
- What new projects and market trends are taking place in AMI managed services?
- What is driving the Smart Metering-as-a-Service market across different geographies and the different segments of electricity, water and gas?
- Who are the leading vendors in Smart Metering-as-a-Service and how are they adapting to the changing market?

Research deliverables: 100-page PDF study + executive summary slides + Excel dataset

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