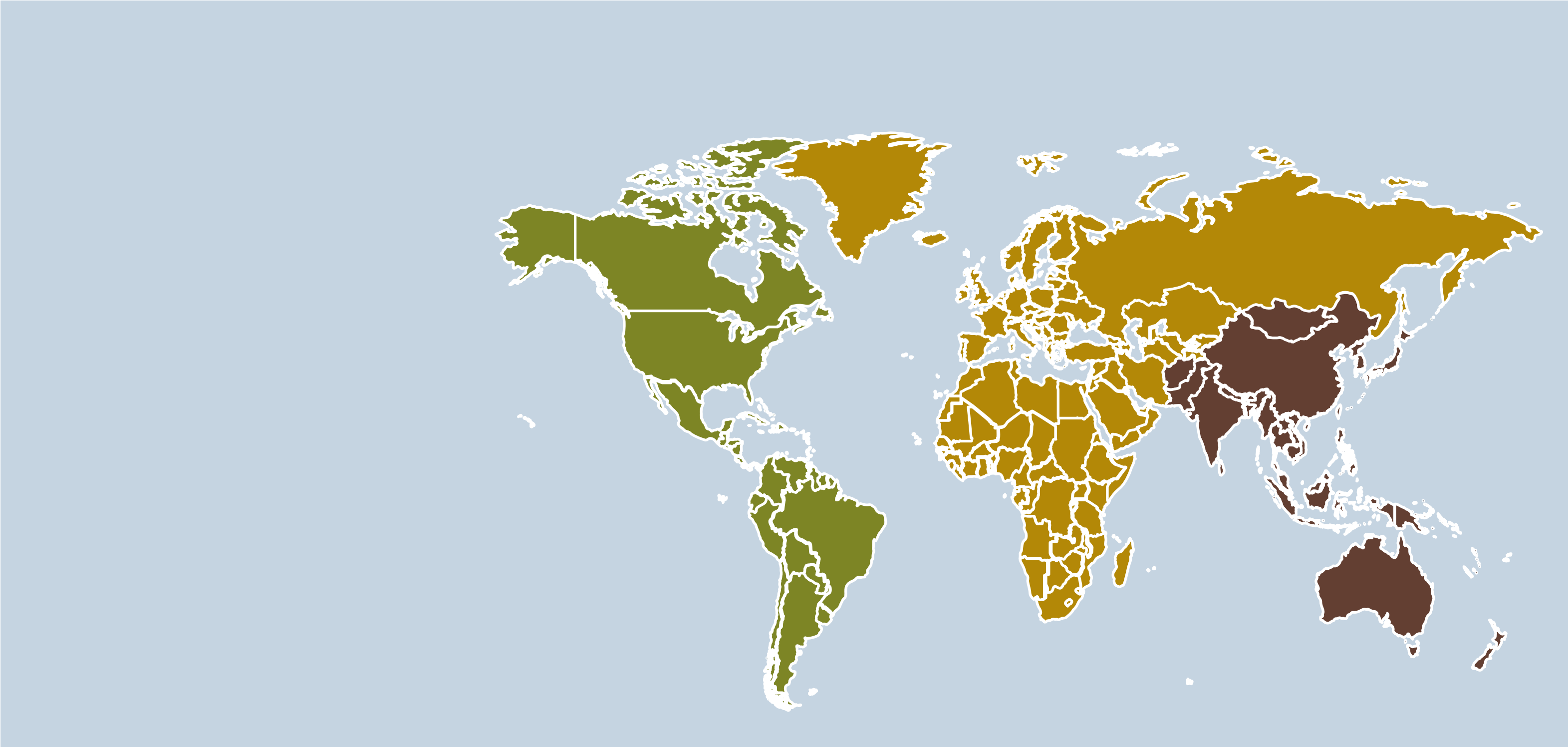

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Managed Services: Smart Metering-as-a-Service (2018 – 2027)

Electricity, Water and Gas Metering

June 2018 I www.northeast-group.com

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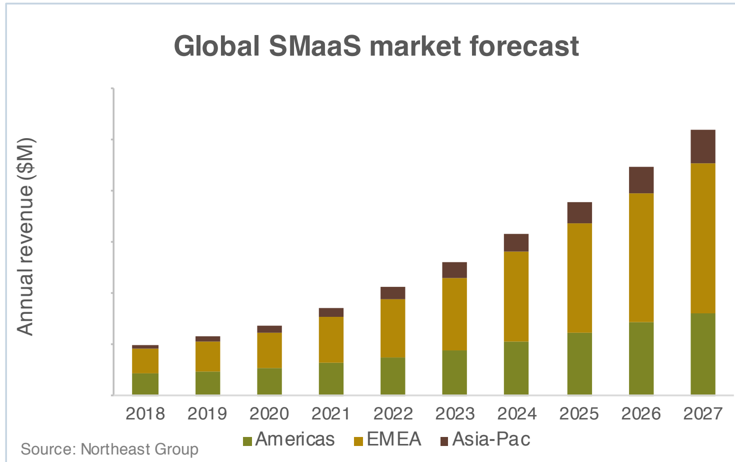
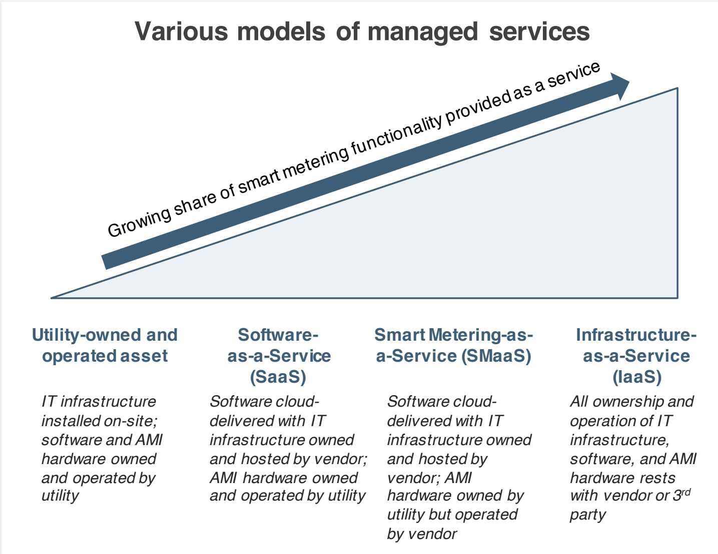


The outsourcing of physical and operational aspects of a smart metering system to third parties, a model known as managed services, has been growing in popularity over the past decade. At the most basic level, managed services can be Software-as-a-Service (SaaS), in which software applications that support advanced metering infrastructure (AMI) are cloud-hosted by the vendor and used on a subscription-basis. In more comprehensive service agreements, operational responsibility for the AMI system is also entrusted to a vendor in what is called Smart Metering-as-a-Service (SMaaS). At the end of the spectrum, full managed services—often called Infrastructure-as-a-Service (IaaS)—is the complete delivery of AMI as a service, including the leasing of physical infrastructure which remains owned by the vendor.

Service-based solutions confront many of the challenges that are encountered in smart meter deployments. Entrusting data to a highly competent third-party vendor usually provides more security than can be accomplished by the utility alone. Deployment time can be cut in half when IT infrastructure is hosted in the cloud, while in-house staff does not need to be trained to operate the complex new systems. Perhaps most importantly, managed services can help mitigate the significant upfront costs of smart metering systems. Service-based offerings convert costs from an upfront capital investment to a recurring operational expense. This opens the door for utilities that cannot make such a large initial investment. These utilities, usually smaller in size, do not have the benefit of economies of scale. In essence, they are borrowing economies of scale from vendors.

One key barrier to the spread of managed services is the current regulatory framework in many markets. Many utilities—particularly in the US—are still regulated under the traditional cost-of-service model in which SaaS and other service-based investments are treated as O&M and not capital investments. There is a disincentive against those service-based solutions that can replace inefficient, outdated capital equipment. Regulatory revision is needed for managed services solutions to be considered solely on their merits rather than their accounting classification. Regulators in California, New York, and Illinois are exploring new mechanisms to accelerate the acceptance of services in the utility industry, but it will likely be a gradual process.



Source: Northeast Group

Managed services give a glimpse into where the industry is headed, how those utilities that have yet to deploy smart meters can do so, and how those that have completed deployments can extract greater value from their investments. It will also be beneficial for vendors as the service model provides longer-term relationships and recurring revenue. Several major metering vendors are pivoting to a services-oriented business model in which smart meters are one feature of a larger, services-based package. Managed services have opened the door to new potential customers and new possibilities for existing customers. Only a small share of smart meters are currently operated under these service contracts, but that figure is expected to increase over the next decade. Thanks to these innovative business models, the full value of smart metering—made possible by decades of technological advances—can soon be achieved on a wider scale.

A wide array of vendors from different segments of the market have developed service solutions for utilities. Nearly all have cloud software solutions while the fully managed AMI solutions are offered by larger metering vendors and system integrators. Major cloud providers such as Microsoft and Amazon also play a key role in IT hosting. The next ten years should determine how strong a pivot metering vendors will make to a service-oriented business strategy, a process that for many vendors has already begun.

Key questions answered in this study:

- How large will the global managed services market for smart metering (electricity, water and gas) be over the next decade?
- What constitutes managed services and what forms does the model take?
- Which utilities are best suited to managed services offerings?
- What is the vendor landscape, who are the leading vendors and what service-based solutions are currently on the market?

Research Deliverables: *95-page PDF study + 25-slide executive summary + dataset in Excel*

Table of Contents

List of Figures, Boxes, and Tables

List of Figures, Boxes, and Tables (cont.)

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