

Challenge facing the electric utility industry

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Challenges facing the electric utility industry In the 21st century, the demands on electric utilities are completely different than the past century's demands. Policies of reducing carbon are making utilities to search for better ways of powering offices, homes and factories. Many investors are putting pressure on the electric utility industry to be more forceful in managing the risks they are likely to face. This paper will talk on different challenges the electric utilities face. The electric utility industry faces challenges from increase in spread generation, the change toward energy efficiency and negative or weak demand growth.

Increase in Energy Efficiency

As stated by the American Council For an Energy Efficient Economy, spending of various utilities in the United States has increased from \$1. 6 billion in 2006 to around \$5. 9 billion. Reserves from energy efficiency programs amounted to close to 22. 9 million MWh in 2011. This was a 20% increase from 2010. Energy efficiency programs have been supported by utilities as they are cheaper than building power lines and plants.

Increase in Population

Electric sales are not increasing because many businesses and individuals are using solar panels. According to the Interstate renewable Energy Council, in 2008, photovoltaic installations increased from around 1, 000 MW to 7, 250 MW. These installations are reducing electric sales. Usage of solar is expected to increase as the prices are dropping.

Weak Demand Growth

Over the years, demand growth on improved efficiency has been reducing. According to the Energy Information Administration, they expect demand to

grow in the United States by 0.9% only yearly through 2040. Consumption of electricity reduced when Americas economy was in recession. Utilities in the U. S. are spending billions in new transmission lines and pollution control projects. An increase in demand growth would assist the utilities in spreading the costs across an increasing customer base.

Work Cited

Howland, Ethan. "The four greatest challenges utilities face in 2014." Utility Dive. 9 December 2013. Web. 10 March. 2015. < [http://www. utilitydive. com/news/the-four-greatest-challenges-utilities-face-in-2014/202574/](http://www.utilitydive.com/news/the-four-greatest-challenges-utilities-face-in-2014/202574/)>