

# BUSINESS STRATEGIES OF MUNICIPAL UTILITIES WITHIN THE GERMAN “ENERGIEWENDE”

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## (1) Overview

The German “Energiewende” (energy policy turnaround) imposes an unprecedented innovation and transformation process on the energy sector<sup>2</sup>. In this process, utilities have to play a challenging double role: on the one hand, they are often seen as potential change agents which should, for instance, promote energy efficiency and help customers save energy. On the other hand, any reduction of energy consumption cannibalizes the utilities’ core business, urging them to develop new business areas. Much attention has been paid to the approximately 1,000 municipal utilities in Germany, the majority of which is publically owned (Bräunig, Gottschalk, 2012; Wildemann, 2009). How are these companies prepared to cope with the “Energiewende”? Are they able to act as decentralized change agents, and are they prepared to reinvent their own business model? How do they perceive the altered market environment one year after the “Energiewende” kick-off? This paper presents the first results of a multi-stakeholder analysis among municipal utilities. The authors conducted two series of surveys regarding the municipal utilities’ role in the “Energiewende”, the first with utility board members, reflecting the top-management view on the issue; the second series with mayors, reflecting the perspective of the utilities’ owners and/or political environment.

## (2) Methods

Two separate surveys were conducted, using the online survey tool “SoSci Survey”. In the first survey, approximately 850 municipal utilities were invited to participate. Invitees represented almost all German municipal utilities and were identified based on the proprietary “municipal utilities database”<sup>3</sup> at the Department for Energy Systems (TU Berlin). After an initial invitation via e-mail, 700 companies were contacted by phone and encouraged to participate in the survey, eventually yielding a response rate of 9.3 % (evaluable surveys). In the second survey, approximately 1,400 mayors of all municipalities in two selected German federal states, Nordrhein-Westfalen and Sachsen, were invited. The response rate was beyond 10 % (evaluable surveys). Both surveys combined qualitative and quantitative elements, covering energy policy and energy economics. The managers were interviewed regarding opportunities and challenges of the “Energiewende”, business strategies and new business areas, perception of their own strengths and weaknesses, as well as some questions of general interest. The mayors were asked about the direction of their energy policy, their targets set for the publically owned utilities, advantages and disadvantages of public vs. private operation of utilities, and further questions of general interest. Results were analyzed with standard statistical methods and within an SWOT framework.

## (3) Results

Regarding strategies for future energy systems, both mayors and managers strongly emphasize the extension of renewables in the power sector as a top priority (fig. 1), in line with Ernst&Young (2012). As a business strategy for utilities, this finding may raise some concerns since it has been pointed out that the vast majority of renewable generation facilities are owned by entities from outside the energy sector (Richter, 2013). In the managers’ survey, the regional identity of municipal utilities and their proximity to the public is seen as one of their key assets. A majority of managers feel challenged by declining final energy sales due to the “Energiewende”, and most of them have only vague ideas (if at all) of alternative business models. Further challenges include increasing complexity of energy regulation and skills shortage. The mayors’ survey proves very high satisfaction with the security of supply but calls for better integration of renewables into the electricity system (fig. 2). Overall, mayors seem to be driven by a strong desire of having direct access to and financial benefit from their local utility. Their strategic goals with regard to the “Energiewende” are similarly vague as the managers’ strategies.

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<sup>2</sup> German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, “The Energy Concept and its accelerated implementation”, October 2011, accessed on 2013-03-15 at <http://www.bmu.de/en/topics/climate-energy/transformation-of-the-energy-system/resolutions-and-measures/>

<sup>3</sup> The database has been compiled based on the annual reports and websites of almost 1,000 German utilities

