

The prospects for smart energy prices: observations from 50 years of residential pricing for fixed line telecoms and electricity

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Abstract This study focuses on how energy and communications have evolved over the last 50 years and what we can learn from history in order to examine the prospects for smart energy pricing by 2050. We begin by discussing the nature of energy and telecoms products and why price discrimination should be expected. We then review various business and pricing strategies that have evolved in the two industries. We find that business models for both the telecoms and energy sectors have changed from the traditional services business model (i.e., offering of calls and messages for telecoms, and utility supply services for energy) to more dynamic, integrated and complex business models. These new business models include the managed services provider model, the bundled services model, and the prosumer business model, among others. Similarly, several changes in pricing structure have evolved. There has been a reduction in the number of distanced-based and increasing time-based price differentiation in fixed line telecoms and the abolition of residential floor area-based differentiation in residential electricity pricing. We conclude with a discussion on how the rollout of the next generation of electricity meters (smart and advanced meters) may further shape electricity pricing in the future.

Keywords smart pricing, business models, telecoms, energy, residential, UK

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