

Advantages to Traditional Standby Power

Abstract

According to a survey of 500 small businesses across the U.S., the importance of reliable electric power is not lost on the nearly 90% of small businesses who have reported experiencing at least one power outage. The survey also revealed that small businesses reported an average of three-power outages a year. In addition the electric utilities industry has created substantial incentives for small businesses to reduce power consumption during periods of high demand. These incentives are available nearly everywhere in the country and can many times result in electricity cost savings from 30% to 50%. These strategies generally attempt to reduce peak utility demands including interruptible rates and peak shaving. Based on this information a standby generator system may eliminate the inconvenience caused by power interruption and pay for itself in less than two to three years.

Big Bucks Lost Due to Power Outages

Quantifying the effect of a power outage is very difficult. While calculating the average loss for things such as spoiled food or perishables is relatively easy, it's very difficult to assign dollar value to things such as lost sales, lost productivity, lost computer data or perhaps lost customers. It is reported on average that a power outage will cost a small business approximately \$7,500 per day or \$22,500 annually based on a three outage average. Today's businesses are increasingly dependent on electronic equipment and the importance of electric power is crucial.

According to the survey;

Uninterrupted, reasonably priced power was "very important" to 93% of those surveyed. Of those surveyed, 80% attributed power outages to storms while more than 50% blamed at least one of their outages on problems with their power utility.¹

Electric power suppliers continue to improve their facilities and equipment to minimize power outages. But the economics of power line construction do not allow for guaranteed electric service under all conditions.

When a power failure does occur, a properly sized standby generator can be critical to the customers' essential application. Electricity can be resorted in seconds, and allow "business as usual" activities to continue.

Utility Incentive Plans

Providing electric power is extremely capitol intensive, so a utility's survival will depend on using its assets more efficiently as electric rates are forced down by competition. As a result utilities are exploring partnerships with customers who are preparing to purchase or already own a standby "emergency" generator. This partnership

could provide a less costly solution to the utility during periods of peak demand. This is an attractive option to the utility because it requires no capitol investment. Utility based incentive programs between the electric utility and their customers who own a standby generator can create a lasting partnership that ensures both sides will save.

Peak sharing provides utilities with a cost-effective solution to find new sources of electricity without making huge, financially crippling capitol investments in additional power plants, substations, and power lines. Portions of the utility's savings from peak sharing programs are passed along to participating customers.ⁱⁱ

Consequences of the Energy Policy Act of 1992, and anticipation of final Federal Energy Regulatory Commission rulings on open transmission access, are driving producers and consumers of electricity to steer their businesses though uncharted waters. And the stakes are high. For example, the 400,000 industrial customers served by investor-owned utilities account for 78% of the utilities' revenues, or a \$156-billion market. The total value of the utility industry's assets, more than \$809-billion, ranks at the top of all U.S. industries.ⁱⁱⁱ

The peak shaving program is not the only utility-based incentive program for owners of stand by generators. Using the owners' generator in conjunction with other rate structures including interruptible rates, time-of-use pricing, and coincident demand charges may also cut electric bills.

Conclusion

In summary, to remain competitive in today's market companies must take a long hard look at their energy consumption; this requires energy management equipment and services. Ultimately, companies that own standby generators may have an opportunity to reduce their electric bills and increase their return to shareholders while protecting themselves from unforeseen power outages. Entrepreneurs from across the country emphatically agree that a reliable source of power is of the utmost importance to their business. The benefits of owning a standby generator system extend far beyond the utility incentive economics, from creating long-term partnerships to providing managerial flexibility to improving the reliability of emergency power systems.

ⁱ Allied Signal Power Systems, "Importance of Electricity to Small Businesses", November 1998

ⁱⁱ Jeff Whitham, "Using Standby Generators to Slash Electric Bills", *LonUsers International Conference*, 1996, page 2

ⁱⁱⁱ Vilma Barr, "Making Retail Wheeling Work: Stakeholders Speak Out," *Electrical World*, May 1995, p.67.