

Key takeaways from GPM's ESCO discussion session at MWC 2014

The Green Power for Mobile (GPM), during the Mobile World Congress 2014, has brought together industry stakeholders from across the globe to discuss the ESCO business model and its adoption challenges for MNOs and TowerCos. The session was represented by MNOs, TowerCos, ESCOs, technology providers and investors from across regions.

Background and Objective

The objective of the session was to address some of the key challenges and barriers for ESCO model adoption in telecoms and to create a set of action points to follow up with industry stakeholders in order to drive the growth of green deployments and ESCO model at a scale in sustainable approach.

Organizations attended

E.Co, Golden Towers, Eltek, Flexenclosure, Fluidic Energy, Heliocentris, Phaesun, OMC, Telstra, Trojan Battery, Xing Tong, IFC, Dalberg, RVE.SOL are some of the key organizations attended in the session.

Summary of Highlights from the Session

The discussion was kicked off by Areef Kassam, the GPM programme director, and followed by brief introduction by Ferdous Mottakin, the programme manager for GPM. Ferdous, while introducing the ESCO business model, highlighted the current status of adoption and set forth the tone for the discussion to address the important elements of ESCO model and what makes it to work. Ferdous highlighted the potential opportunity mentioning that only 37,000 sites currently deployed with green power alternatives against a total global market size 680,000 sites which have power challenges. It is emphasized that only around 4,000 sites are currently deployed on ESCO model. He also presented the region split of green deployments and it was clear that Asia is leading in terms of number deployments. However, there is still a huge potential for green power and ESCO model adoption across regions.

Following the context set by Ferdous, the discussion was opened for a moderated discussion around some of the key questions related to ESCO business model and for the group to express their experiences and share views on key elements to make the ESCO model to work.

The discussion touched up on key questions pertaining to the topic including

- The definition of ESCO
- The structure and form of ESCO
- Risks associated with the ESCO model adoption
- Contractual and ownership challenges
- Attractiveness to investors and challenges in fund raising
- Key success elements to make the ESCO model work
- The adoption and selection process for MNOs and TowerCos

Key discussions and takeaways:

The group discussed in detail on the definition and what makes an ESCO in the context of power provision to the mobile telecom networks. An ESCO is a local utility, responsible for passive energy infrastructure providing energy as a service to mobile network operators. While doing so, the ESCO may adopt both renewable as well as non-renewable energy sources in order to be efficient and cost effectively provide energy to mobile networks and local communities around.

The group highlighted that asset ownership is the key aspect of ESCO business, impacting the form and structure of an ESCO. An ideal ESCO would have strong stakeholder management capabilities, low cost of capital, technical expertise and energy as a core activity with long term view of the business. A strong stakeholder management is the key in order to put together and run strong partnerships at both operational and financial level in order to serve the mobile operators in a credible and efficient manner. The cost of capital will have a great impact on the capability of an ESCO to mobilize funding at a reasonable cost and bring efficiency in operational costs.

Besides the various operational and technical challenges for an ESCO, the group also discussed in greater detail around the risks associated and its imminent impact on ESCO business. There three key risks associated with an ESCO business model including asset risk, operational risk and financial risk. The group felt the need for an entity which could take up the risks and lead the business as an ESCO through strong partnerships. The ESCO may look into sharing the risks with its partners which could be a leasing company for assets or a financial institution for capital.

Operational risks constitute a major part of the ESCO model strategy for both MNOs and ESCOs. The key question is to the willingness of ESCOs to take up the operational risks such as performance, security, equipment vandalism and fuel pilferage. The group felt a need for collaborative approach to sharing of risks and rewards between MNO/TowerCos and ESCOs.

However, a key question that came was to who should take the lead to form an ESCO – technology provider or investor or a company with strong experience telecom power management and operations? An ESCO with strong operational experience, energy management capabilities with key technical strengths should come up with strong back up in partnerships, including financial as well as technology partners, in order to lead the ESCO engagements with MNOs and TowerCos.

The successful adoption of ESCO model will highly depend on the ability of an ESCO to own the assets and to win the confidence of MNOs. To achieve this, the ESCO would need to firstly, create a clear value proposition which is attractive for both MNOs and the business, and secondly, demonstrate it through pilots for a reasonable number of sites. Some MNOs felt that big ESCO should come into play with a capability of deploying large numbers in the range of 500-1000 sites to demonstrate the business model and credibility of an ESCO to deploy at scale.

The ESCO would also need to clearly demonstrate a path of adoption for the MNOs and showcase the ability to bring down the cost of operations as close as possible to the ideal scenario of grid power. The group also expressed that pricing is the key and both parties should be willing to share the benefits in a reasonable way in order to make the ESCO model successful and sustainable in the long run.

In conclusion, the group called for a strong collaboration amongst the stakeholders including MNOs, TowerCos, ESCOs, and investors to try, test and build the best practices in order to establish right model for ESCO business for scaled adoption. The group highlighted the role of GPM in bringing together various stakeholders including the government and regulators to sensitize them with potential opportunity and bring the necessary policy guidelines to catalyse the adoption of ESCO business model.

Next action points

- To Follow up with WebEx conference for Africa and Asia specific discussion
- In next GPM Working Group, get commitment from MNOs/TowerCos to deploy ESCO model
- Publish the number of sites committed by MNOs and TowerCos for ESCO model implementation, and the underlying specific conditions demanded by the MNOs and TowerCos to deploy those numbers on ESCO model
- To collaborate with MNO/TowerCos and ESCOs to deploy the numbers and demonstrate the model with all specific conditions and requirements
- To share amongst the industry stakeholders, the best practices and successful business models with specific conditions