

URL: <https://stvp.stanford.edu/clips/energizing-the-entire-industry>

In conversation with renowned venture capitalist Tim Draper, SolarCity Co-Founder and CEO Lyndon Rive describes how the next stage of growth is in providing infrastructure to utilities. He explains that policies which currently prevent power providers from profiting on such services would fuel innovation across the industry if those laws were less restrictive.



Transcript

In 15 years, what does SolarCity look like, and how are you going to make it even cooler than it already is? I think this-- and this may even happen sooner than 15 years.. We're starting to see this occur.. So right now, most of the markets we're in right now, we compete against the utility.. That's our number-one competitor.. We're starting to see policy shift changes, where we're going to have two customers.. We're going to have the homeowner, to which we sell energy to, and then we're going to have the utility as a customer as well, to where we sell grid-related services to.. So that, I think, is going to change.. And then what's going to happen is, the utility-- I don't think the utility's going to go away anytime soon.. The utility provides a good feature.. The utility's now going to have access to millions of little power stations across their grid..

With the solar generation and the storage device, they're going to have the software application which they will then, essentially, manage millions of distributed systems the same way they would normally manage their own power plant.. And they will load-balance the grid, they will manage the grid, but instead of them building up the infrastructure themselves, they can use other people's infrastructure.. Now, we've seen this model happen.. Salesforce.com is probably known for Software as a Service, and they kind of created the log around that-- No Software.. This is essentially infrastructure as a service.. Somebody else is providing the infrastructure, and the utility will then use that infrastructure as a service.. Now, why this policy has to change-- today, the utility cannot use somebody else's infrastructure, because they don't make any money.. The rule is very clear-- you only make money if you pay for the infrastructure.. If you don't pay for the infrastructure, it's a pass-through cost.. So if we sell it to the utility for \$10, they can only rate-base \$10, so they make no money..

If you create an open field, it'll allow tremendous innovation into the electrical infrastructure.. I don't know what technologies will be created.. But create an open platform, say here's the problem, build out the solution, utility takes that of that solution-- if the utility would have done it themselves, let's just say that project would have cost \$1 million.. They built it up, so they would make 10% of that \$1 million.. If they built it up, new technology would come out, maybe only cost \$500,000.. They still make 10% of 500, but this way, the utility has a lower cost, the rate-payer has a lower cost, and it allows for innovation in a market that has seen almost no innovation...