



Electricity Meters (Smart Meters) Market For Residential, Commercial and Industrial Applications: Global Industry Analysis, Size, Share, Growth, Trends and Forecast 2012 - 2018

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Chapter 1 Preface

1.1 Research Description

This report analyzes and forecasts the global demand for electricity smart meters in terms of volumes (million units) and revenues (USD million) from 2011 to 2018. The report explains the drivers and restraints affecting the market, along with an analysis of their expected impact on the future growth of this industry. It also provides an analysis of the available market opportunities that could drive the electricity meters industry over the forecast period.

For the purpose of this study, we have considered only smart meters and not traditional electricity meters as all technological focus was dedicated to smart meter technology. All market dynamics, estimates, forecasts and competitive analysis included in the study pertain only to smart meters.

The report includes value chain analysis for better understanding of the supply chain of smart meters starting from the raw material to the actual meters across various applications. It also includes Porter's five forces analysis to evaluate the degree of competitiveness in the market.

The report includes an extensive competitive landscape starting from the market share of the global smart meters market to company profiles of the major participants operating in the global market. Key market participants profiled in this report include Itron, Landis+Gyr, Holley Metering Ltd., Jiangsu Linyang Electronics Co., Ltd., General Electric, and so on. The market players are profiled with attributes such as company overview, financial overview, business strategies and recent developments in the field of smart meter technology.

1.2 Research Methodology

For the research report, we conducted in-depth interviews and discussions with a wide range of key industry participants and opinion leaders. Primary research represents the bulk of research efforts, supplemented by extensive secondary research. We reviewed the key players' product literature, annual reports, press releases and relevant documents for competitive analysis and

market understanding. Secondary research also includes a search of recent trade, technical writing, internet sources, and statistical data from government websites, trade associations and agencies. This approach has proven to be the most reliable, effective and successful approach for obtaining precise market data, capturing industry participants' insights, and recognizing business opportunities.

Secondary Research

The secondary research sources that are typically referred to include, but are not limited to:

- Company websites, annual reports, financial reports, broker reports, and investor presentations
- Internal and external proprietary databases, relevant patent and regulatory databases
- National government documents, statistical databases and market reports
- News articles, press releases and web-casts specific to the companies operating in the market

Some of the publications referred in this study include :

- Utilities Telecom Council
- Edison Electric Institute
- European Regulators Group for Electricity & Gas
- Environmental Leader Magazine
- Texas Instruments
- Ofgem
- U.S. Energy Information Administration

Primary Research

We conduct primary interviews on an ongoing basis with industry participants and commentators in order to validate data and analysis. A typical research interview fulfills the following functions:

- It provides first-hand information on the market size, market trends, growth trends, competitive landscape, future outlook etc
- Helps in validating and strengthening the secondary research findings
- Further develops the Analysis Team's expertise and market understanding
- Primary research involves E-mail interactions, telephonic interviews as well as face-to-face interviews for each market, category, segment and sub-segment across geographies

The participants who typically take part in such a process include, but are not limited to:

- Industry participants: CEOs, VPs, marketing/product managers, market intelligence managers and national sales managers
- Purchasing managers, technical personnel, distributors and resellers
- Outside experts: Investment bankers, valuation experts, research analysts specializing in specific markets
- Key opinion leaders specializing in different areas corresponding to different industry verticals

Key respondent designations for this study included,

- Operation heads
- Product development engineers
- Human resource representatives
- Technology leads

Key companies interviewed for this study include, but are not limited to,

- Holley Metering Ltd.
- Itron
- Landis+Gyr
- Sensus
- Elster

Models

Where no hard data is available, we use modeling and estimates in order to produce comprehensive data sets. A rigorous methodology is adopted in which the available hard data is cross referenced with the following data types to produce estimates:

- Demographic data: Population split by segment
- Macro-economic indicators: GDP, etc
- Industry indicators: Expenditure, technology stage & infrastructure, sector growth and facilities. Data is then cross checked by the expert panel

1.3 Research scope, segmentation & assumptions

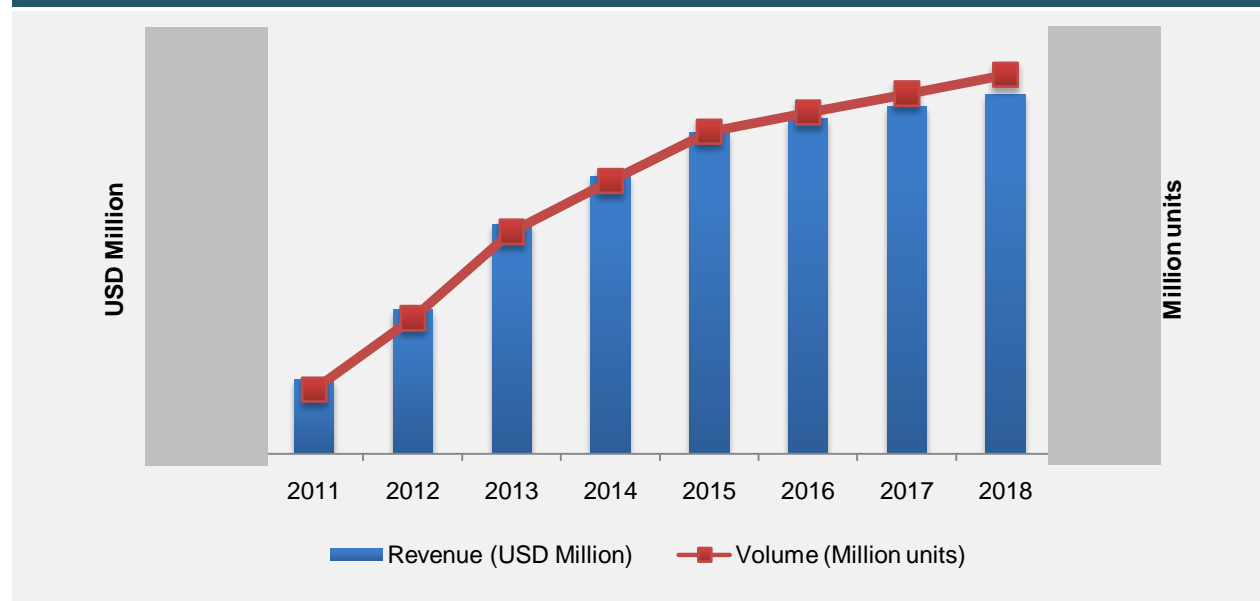
For the purpose of this study, the following assumptions and segmentation techniques were used;

- Electricity meters in this study refer to smart meters; traditional meters are excluded from the scope of the study. Thus, each reference to electricity meters implies smart meters as per the definition provided in this section.
- Smart meters included in the study are defined as “solid state electricity meters equipped with complete two-way communication capabilities. These meters support technologies such as PLC (power line communication), and contribute to energy efficiency by monitoring and controlling energy consumption based on demand.”

Chapter 2 Executive Summary

The global demand for smart meters, in terms of new meters, was estimated to be XX million units in 2011 and is expected to reach XX million units in 2018, growing at a CAGR of XX% from 2012 to 2018. Smart meter demand is expected to be primarily driven by regulatory policies in Europe, U.S. and China which target replacing all traditional meters with smart alternatives by 2020. A number of such policies, especially in European Union and China have already been enforced and replacement of traditional meters has been progressing at a significant rate.

FIG. 1 Global smart meters market, 2011 – 2018, (USD Million) (Million units)

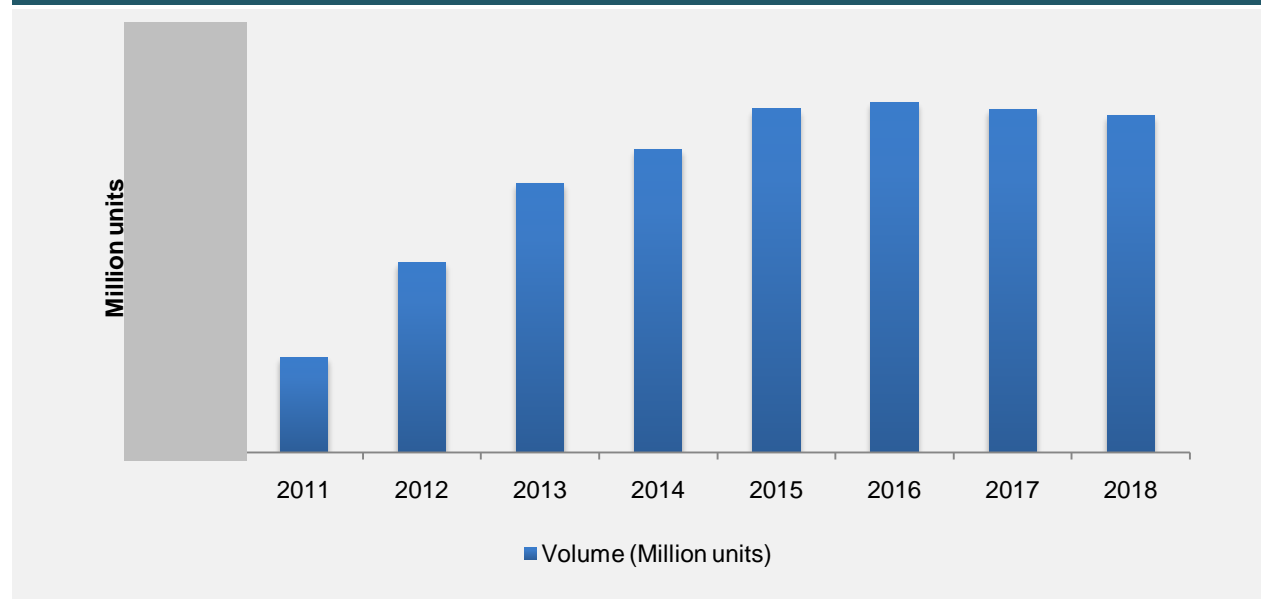


Source: Environmental Leader Magazine, Edison Electric Institute, Utilities Telecom Council, European Regulators Group for Electricity & Gas, Company Annual Reports, Primary Interviews, Transparency Market Research

Another critical issue in the industry is product pricing, smart meters generally cost in the range of 3 to 3.5 times higher than traditional meters and with an average cost between USD 100 to USD 175 per unit, product acceptance has emerged as a key challenge for market participants. However, a favorable regulatory scenario and economies of scale are expected to bring down product costs over the next five years and have a positive impact of product demand.

In terms of revenue, the market was valued at USD XX million in 2011 and is expected to reach USD XX million in 2018, growing at a CAGR of XX% from 2012 to 2018.

FIG. 2 Global electricity meters (traditional & smart) market, 2011 – 2018, (Million units)



Source: Environmental Leader Magazine, Edison Electric Institute, Utilities Telecom Council, European Regulators Group for Electricity & Gas, Company Annual Reports, Primary Interviews, Transparency Market Research

Smart meters have been increasingly replacing traditional metering systems, particularly in developed economies where the need and awareness of energy savings is high. Smart meter penetration in the overall electricity meter demand of XX million units in 2011 was XX%. However, by 2018, it is expected that smart meters shall account for XX% of global new meter demand of XX million units.

Residential applications dominated smart meter consumption in 2011, accounting for over XX% of total units shipped. In terms of revenue, smart meter sales for residential applications are expected to reach USD XX million in 2018, growing at a CAGR of XX% from 2012 to 2018.

Smart meter revenues for commercial and industrial applications are expected to reach USD XX million and USD XX million in 2018. While commercial smart meters contributed to just over XX% of total unit sales in 2011, they accounted for over XX% of market revenues for the same year due to higher product and installation costs.

TABLE 1 Global smart meters: Market snapshot, 2012 & 2018

PARAMETER	2012	2018
Global Volumes (Million units)	XX	XX
Global Revenues (USD Million)	XX	XX
Geographic Share (% volume basis)	North America: XX% Europe: XX% Asia Pacific: XX% RoW: XX%	North America: XX% Europe: XX% Asia Pacific: XX% RoW: XX%
Application Share (% volume basis)	Residential: XX% Commercial: XX% Industrial: XX%	Residential: XX% Commercial: XX% Industrial: XX%
CAGR (%) 2012 - 2018	Volumes: XX% Revenues: XX%	
Key Participant Market Share (%)	Itron: XX% Landis+Gyr: XX% Elster: XX% Sensus: XX%	

Source: Environmental Leader Magazine, Edison Electric Institute, Utilities Telecom Council, European Regulators Group for Electricity & Gas, Company Annual Reports, Primary Interviews, Transparency Market Research

The global smart meter market is fairly concentrated with top four market participants accounting for over 60% of total demand in 2011. XX led the global market with XX% market share followed by XX with XX% in 2011.

Chapter 3 Market Overview

3.1 Introduction

Electricity meters are devices used for measuring electric energy consumption, and can be used for residential, commercial, and industrial applications. They are used to measure the amount of electricity consumed by a customer, which is then used to bill the customer. The most common type of electricity meter is the electromechanical meter, which has been in use for over a century. However, these meters are being replaced by smart meters, which provide more accurate readings and can be used to provide additional services, such as demand response. This transition from traditional meters to smart meters is thus eliminating the need for manual meter reading (AMR) and moving towards AMI (Advanced Metering Infrastructure) capabilities.

FIG. 3 Smart meter evolution



Source: Edison Electric Institute, Transparency Market Research

AMR systems employ one-way communication to collect meter data and utilize radio frequency, and the technology used for this includes radio frequency identification (RFID) and other technologies. AMR systems are being replaced by smart meters, which provide more accurate readings and can be used to provide additional services, such as demand response. This transition from traditional meters to smart meters is thus eliminating the need for manual meter reading (AMR) and moving towards AMI (Advanced Metering Infrastructure) capabilities. AMI is an advanced infrastructure and allows two-way communication and includes the necessary

software, hardware, and data management capabilities for energy usage. Along with benefits offered by automatic meter reading, it includes time-based rates, HAN (Home Area Network) interface, enhanced security, and remote meter programming.

Apart from technology, electricity meters can also be segmented as

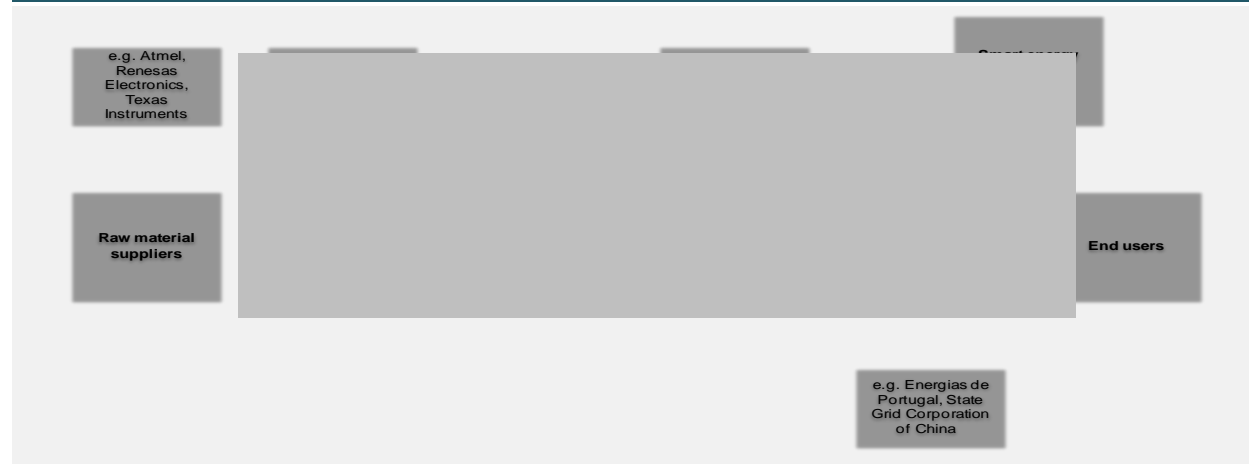
- Single Phase meters
- Three Phase meters

These meters differ in terms of power distribution, with single phase meters used primarily for low power residential applications, while three phase meters are more reliable and efficient, and are thus used in industrial and commercial applications.

3.2 Value chain analysis

Raw material for electricity meters includes silicon chips and integrated components. This is primarily sourced from semiconductor manufacturers such as Intel, ARM, and PROM (Electronically Programmable Read-Only Memory). These components are then used in power chips and microcontrollers, which are sourced from companies like Texas Instruments and Analog Devices. These components are then used in the manufacturing of electricity meters by meter manufacturers.

FIG. 4 Electricity meters: Value chain analysis



Source: Transparency Market Research

3.3 Market Drivers

TABLE 2 Drivers for the electricity meters market: Impact Analysis

Market Drivers	2012-14	2014-16	2016-18
	Impact		
Increasing smart meter penetration	XX	XX	XX
Rapid industrialization	XX	XX	XX
Need for energy efficiency	XX	XX	XX

Source: Transparency Market Research

3.3.1 Increasing smart meter penetration

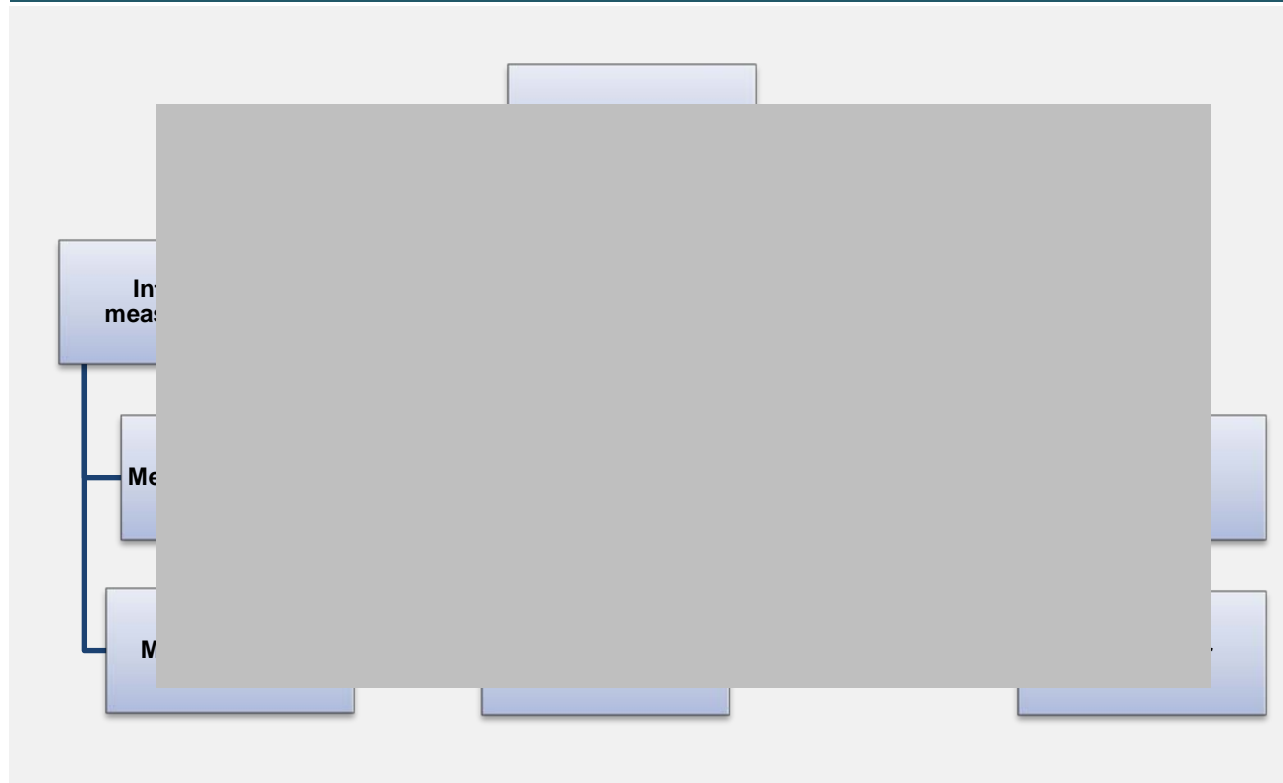
High degree of penetration of smart meters is expected to drive the overall market over the forecast period. This can be attributed to increasing regulatory initiatives to install smart meters, and this technology is in various stages of deployment depending upon the location under consideration. Smart metering mandates have been established for the European Union, with rollout plans set by the Commission for Energy Regulation among other legislative bodies.

TABLE 3 Smart meter regulatory scenario in the EU

Country	Key decision maker
XX	XX
XX	XX
XX	XX
XX	XX
XX	XX
XX	XX
XX	XX
XX	XX
XX	XX
XX	XX

Source: European Regulators' Group for Electricity and Gas, Transparency Market Research

FIG. 5 Energy theft in AMI



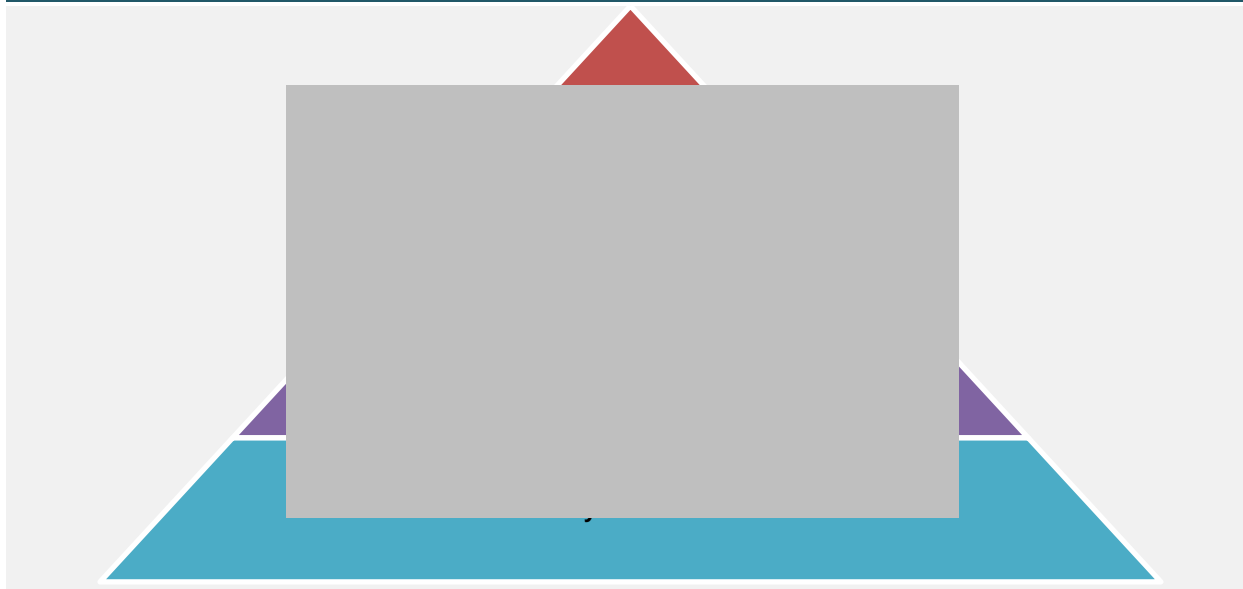
Source: IEEE Security & Privacy Magazine, Transparency Market Research

Prevention from accurate measurement of demand is a threat which also affects traditional meters; however, this is curbed to some extent by smart meters since they are capable of logging sensor data. Storage tampering consists of erasing sensor logged events and extracting passwords which provide access to audit logs. The third type of theft involves network modification, and can thus be carried out at any site between the physical meter location and the utility.

3.4.2 Concerns among end users

Although electricity meters are ubiquitous, considerable security and monetary concerns among consumers regarding these devices is expected to act as a barrier to industry growth. Cost incurred by smart meter rollouts will have to be borne by target customers who install these devices. Although it is expected that the subsequent reductions in payment will compensate for initial investment, end users are reluctant to switch to this technology without being aware of the

FIG. 6 Smart grid infrastructure



Source: Edison Electric Institute, Transparency Market Research

Utility providers are increasingly focusing on the widespread implementation of smart grid systems, since they are expected to provide secure and efficient energy management on a regional level. This is in line with the European Union's energy management strategy, which aims to reduce energy consumption by 20% by 2020. The European Union's Energy Efficiency Directive (2012) and the Energy Efficiency Plan (2014) are key documents in this regard.

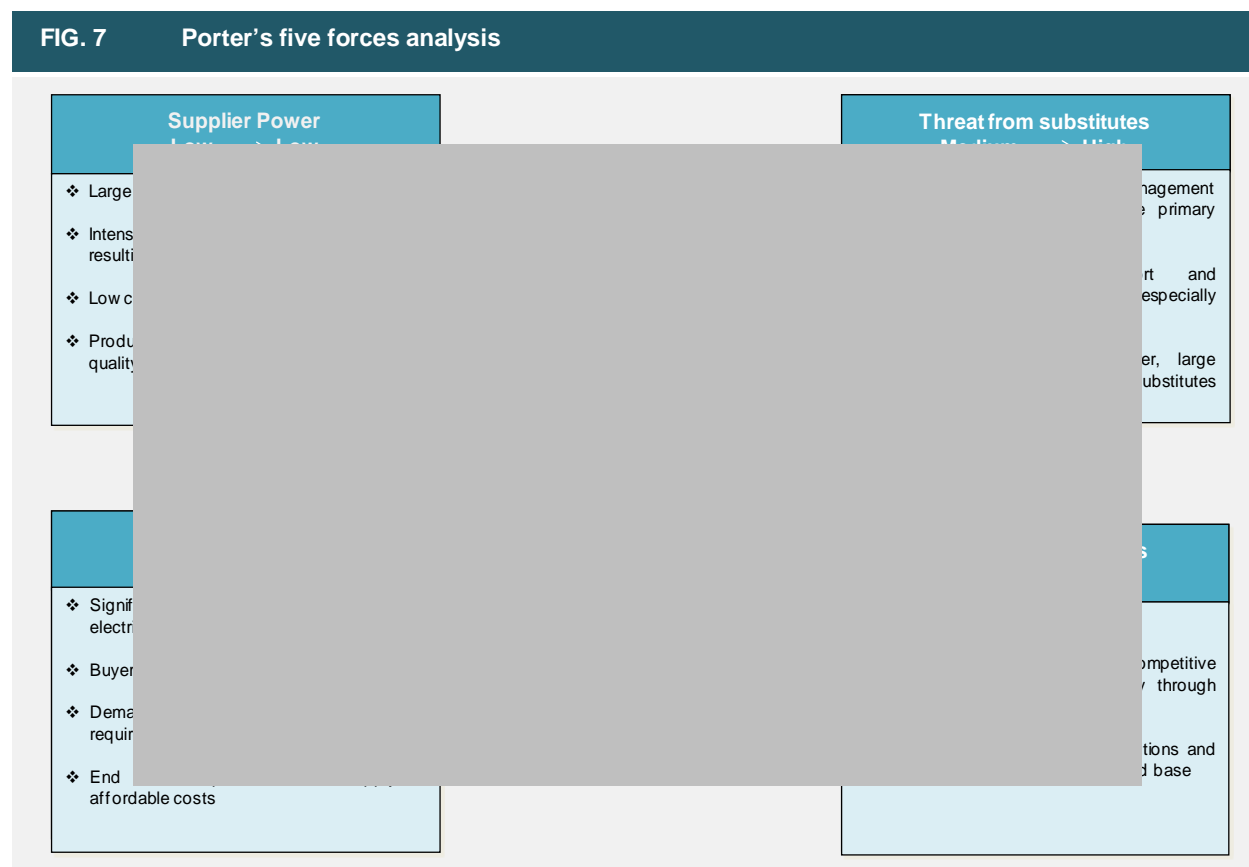
A number of smart grid projects are currently underway, with Europe and Asia being the main focus areas. In Europe, the Smart Grid Consortium (SGC) is a leading organization, with members including utilities, manufacturers, and researchers. In Asia, the Smart Grid Consortium (SGC) is also active, with members including utilities, manufacturers, and researchers.

A few notable

- Australia
- Mexico
- Energy Demand project (UK)
- Web2Energy project (EU)

3.6 Porter's Five Forces Analysis

FIG. 7 Porter's five forces analysis



Source: Transparency Market Research

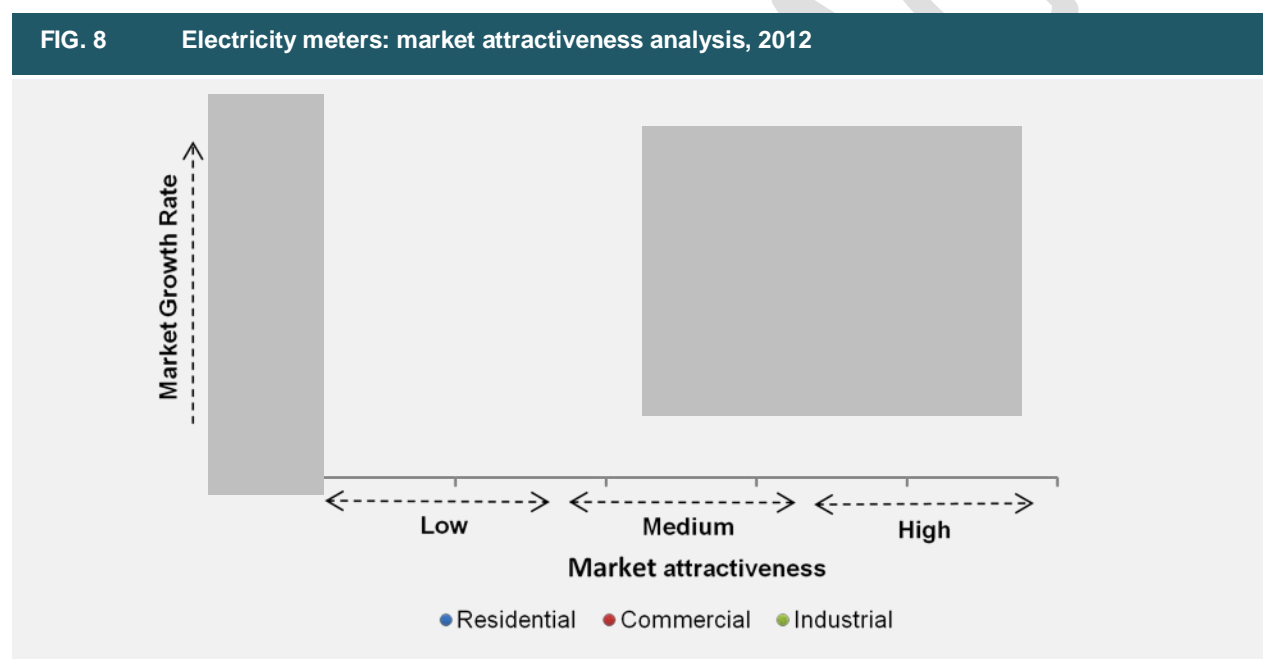
3.6.1 Bargaining Power of Suppliers

Suppliers to the electricity meters market include raw material manufacturers such as Texas Instruments, which is a large number of suppliers among them. The bargaining power of suppliers was responsible for the position and selling prices of falling unit prices. The bargaining power of suppliers, and embedded fees (integrated circuits) need to be designed according to guidelines laid down on a regional level.

Smart grid projects are expected to fuel the industry and result in widespread growth of smart metering. In addition, increasing infrastructural development, especially in underdeveloped regions is estimated to drive the demand for electricity meters. On account of these factors, the degree of competition is expected to remain high over the next five years.

3.7 Electricity meters: market attractiveness analysis

The following chart represents the applications of electricity meters on the basis of their size, growth and market attractiveness. Application areas have been divided into residential, commercial, and industrial segments.



Source: Transparency Market Research

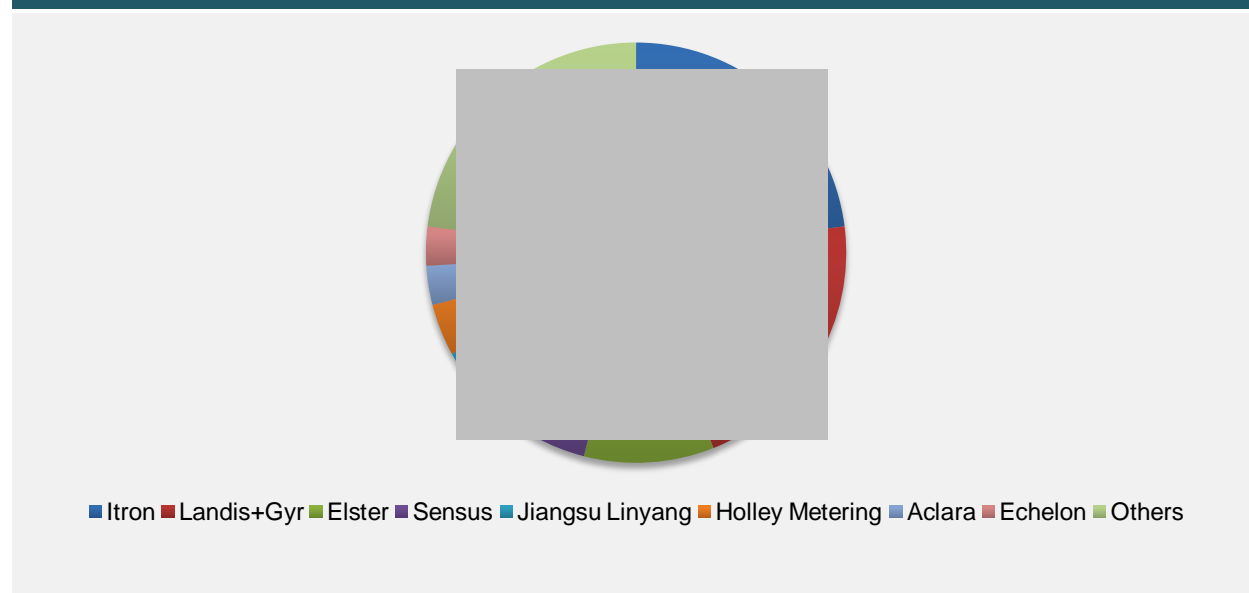
The residential segment was found to exhibit the highest growth rate in 2012. This can be attributed to a number of factors, such as increasing initiatives by legislative bodies to implement smart metering in residential spaces. Growing number of proposals for the establishment of a smart grid on a regional level mandates the replacement of traditional installed meters. This application is expected to be highly attractive over the forecast period, since residential meters enable smart homes by controlling electricity consumption of various appliances, and promote energy efficiency. Meters used in commercial spaces are the next

largest segment with a high expected growth rate. Commercial and industrial meters occupy relatively smaller market size; however, the high energy demand and significant electricity consumption in these areas is expected to contribute largely to revenue. Industrial applications are expected to possess medium attractiveness, and smart meter rollouts in this domain is expected to be slower as compared to residential meters.

3.8 Electricity meters: company market share analysis

The electricity meters landscape involves a large number of competitors, whose benchmarking differs on the basis of volume and revenue. Key participants in the market include Itron, Landis+Gyr, Elster, and Sensus among others.

FIG. 9 Electricity meters: company market share analysis, 2011



Source: Transparency Market Research

XX occupied XX% of the overall market share in 2011. Increasing number of acquisitions is order to widen their product portfolio, and focus on vertical integration is the key to the growth and profitability of major players. XX caters largely to the North American market and provides a variety of equipments and solutions, with a focus on the smart meter segment.

XX, a company based out of XX occupied XX% market share in 2011. With the advent of intelligent metering and growing need for enabling smart homes, XX also focused on mergers and acquisitions in an attempt to occupy larger market share. Players such as XX, XX, and

XX meters accounted for XX% of the total market share of electricity meters in 2011. XX and XX segments followed suit, contributing approximately XX% and XX% share respectively in 2011.

2011

2018

■ Residential ■ Commercial ■ Industrial

■ Residential ■ Commercial ■ Industrial

With rapid growth across all sectors and increased commercial and industrial activities mostly in developed countries, the demand for commercial and industrial (C&I) segments is expected to grow at a CAGR of 7% by 2018. The C&I segment is expected to hold a significant market share in the global market for smart meters used for commercial and industrial purposes as compared to those used in the residential segment.

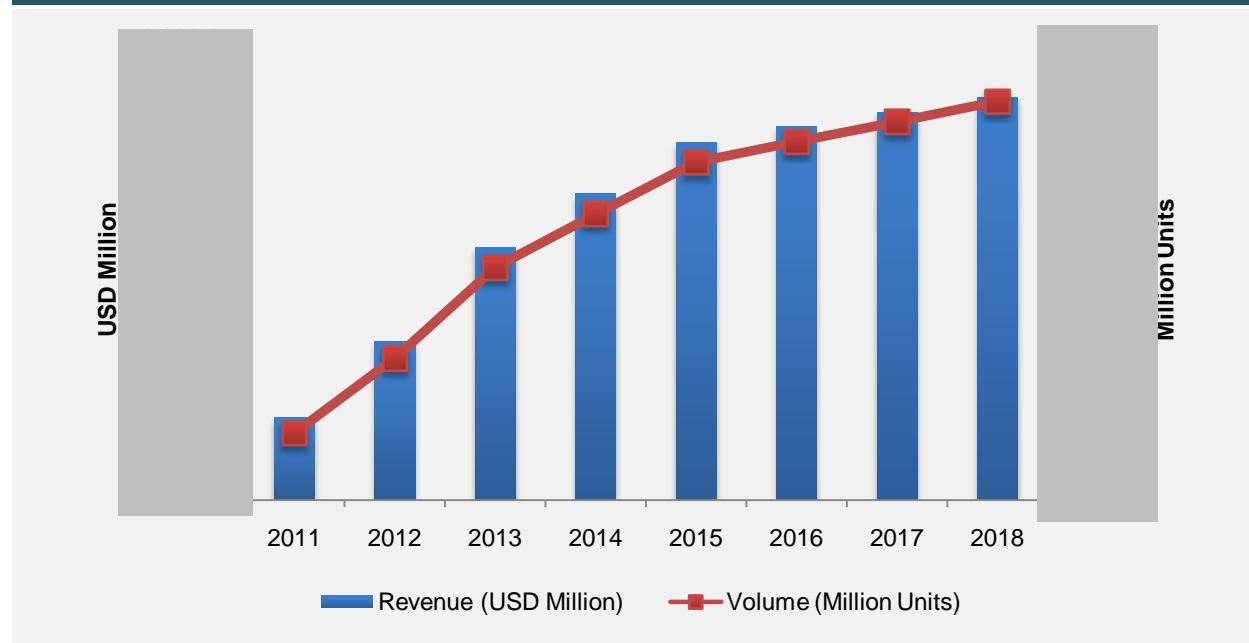
4.2 Electricity meters market, By Application

4.2.1 Residential

4.2.1.1 Global residential meters market, revenues and volumes, 2011 – 2018, (USD Million) (million units)

The demand for residential electricity meters was XX million units in 2011 and is expected to reach XX million units in 2018, growing at a CAGR of XX% from 2012 to 2018. In terms of revenue, the market was valued at USD XX million in 2011 and is expected to reach USD XX million in 2018, growing at a CAGR of XX% from 2012 to 2018.

FIG. 12 Global residential meters market, 2011 – 2018, (USD Million) (Million units)



Source: Environmental Leader Magazine, Edison Electric Institute, Utilities Telecom Council, European Regulators Group for Electricity & Gas, Company Annual Reports, Primary Interviews, Transparency Market Research

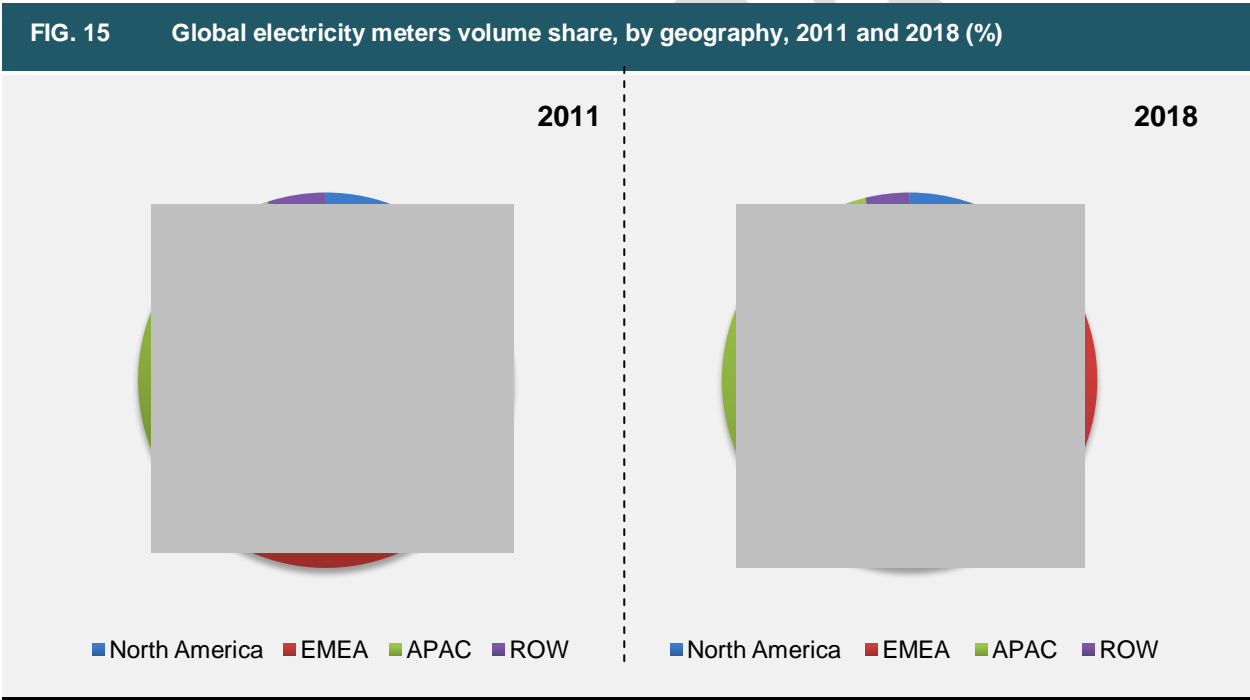
With increase in population across the globe, demand for residential structures is on the rise and is one of the main contributing factors to the growth of the market in this segment. Developing economies such as China, India and Brazil comprise of high human population due to which the demand for residential structures in these regions is expected to surge in terms of revenue and volume over the coming years.

Chapter 5 Electricity Meters Market, By Geography

5.1 Electricity Meters Market: geographical overview

5.1.1 Electricity meters volume share, by geography, 2011 – 2018, (million units)

XX accounted for over XX% of the global volume share of electricity meters in 2011. XX and XX followed the lead, with a market share of XX% and XX% respectively. The demand for smart electricity meters was considerably lower in XX, which accounted for XX% of the global volume share.



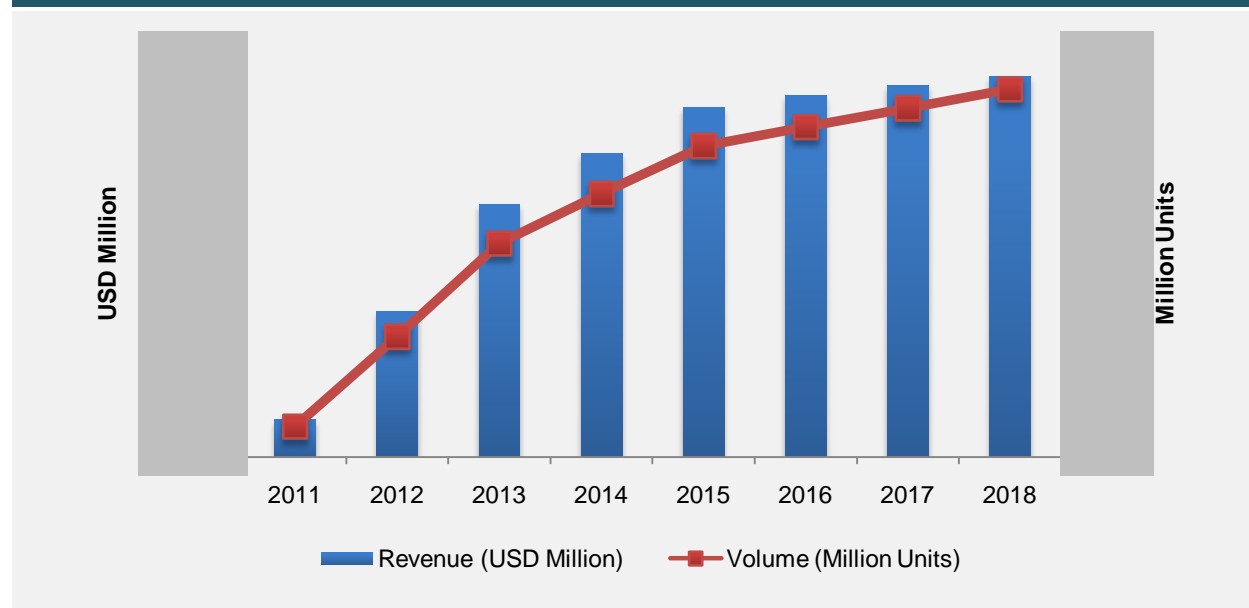
Source: Environmental Leader Magazine, Edison Electric Institute, Utilities Telecom Council, European Regulators Group for Electricity & Gas, Company Annual Reports, Primary Interviews, Transparency Market Research

XX is expected to lose considerable market share over the next few years, as the developing Asia I... North Amer... in devel... kets are expected to decline marginally by 2018.

5.4.2.2 Asia Pacific commercial meters market, revenues and volumes, 2011 – 2018, (USD Million) (million units)

The demand for commercial meters in Asia Pacific was XX million units in 2011 and is expected to reach XX million units in 2018, growing at a CAGR of XX% from 2012 to 2018. In terms of revenue, the market was valued at USD XX million in 2011 and is expected to reach USD XX million in 2018, growing at a CAGR of XX% from 2012 to 2018.

FIG. 27 Asia Pacific commercial meters market, 2011 – 2018, (USD Million) (Million units)



Source: Environmental Leader Magazine, Edison Electric Institute, Utilities Telecom Council, European Regulators Group for Electricity & Gas, Company Annual Reports, Primary Interviews, Transparency Market Research

Asia Pacific comprises of the most developing countries round the world. These emerging economies are turning into a hub for commercial operations promising significant growth opportunity over the coming years. Due to this it is expected that demand commercial meters would exhibit significant growth.

6.2 Itron

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6.2.1 Company overview

Headquartered in the USA, Itron is a key player in the metering segment, and develops solutions for energy and water management. It was founded in 1977 and serves customers in over 100 countries. The company's product portfolio includes electricity, gas, water, and thermal energy monitoring and control solutions, and supports approximately 8,000 utilities via more than 80 locations worldwide. Itron also provides software, communication systems, and professional services, and helps manage energy resources. It ventured into the energy meter manufacturing segment in 2004 by acquiring Schlumberger Electricity Metering, and broadened its reach in 2007 by acquiring Actaris Metering Systems SA. Itron is involved in the production of standard meters, advanced metering technology, as well as smart meters, and caters to the residential, industrial and commercial sectors.

6.2.2 Financial Overview

In 2011, the company reported revenue of USD 2.43 billion, which decreased to USD 2.17 billion in 2012. In 2010, the revenue was USD 2.25 billion. In 2011, Itron incurred costs of USD 68.1 million on account of the approval of restructuring projects to lower manufacturing costs and increase efficiency.

6.2.3 Business strategy

Expansion of product portfolio

Itron acquired SmartSynch, a privately held firm, in 2012 with an aim to offer a wider choice of solutions to utility providers. The company is attempting to broaden its portfolio by acquiring complementary technology and thus improve customer service. This is expected to widen the

company's reach to areas where RF mesh services are unavailable or not feasible. By diversifying its product offerings, Itron aims to establish itself as a leader and price maker in the North American market.

6.2.4 SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Offers complete end-to-end solutions • Strong position in the smart grid segment 	<ul style="list-style-type: none"> • Dependent on utilities which are rule makers • Need to develop newer metering solutions
Opportunities	Threats
<ul style="list-style-type: none"> • Smart grid projects under ARRA • Acquisition of complementary businesses 	<ul style="list-style-type: none"> • Regulatory changes • Foreign currency fluctuations • Rapid technological changes

6.2.5 Recent developments

- In December 2012, Itron won a contract worth USD 150 million to provide smart meters to utilities in Johannesburg
- In May 2013, Itron announced the availability of an upgraded smart meter version in the Brazilian market

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