Commodity Business*… or* Shareholder Value Business?

It seems odd that the power business; one that is behaving more like a commodity business (as ever-maturing yet volatile energy trading markets continue to evolve), is not more obsessed with maximizing the value of the power plant asset by increasing the project Net Present Value (NPV). Why haven't all debt and equity participants demanded that plants be built to maximize shareholder value? How do we truly build shareholder value?

The answer to these questions may be found by looking into the history of the gas turbine business, where other compelling value propositions have taken time to reach a broad scale. Let's take a closer look at the combined cycle concept. In the early days of gas turbines; back when the industry was primarily using coal, hydro and nuclear as the generation methods of choice, a few gas turbines were introduced into the mix as quick and easy additions in times of crisis. Most were installed as simple cycle units.

As the economic and environmental winds began blowing against coal, hydro, and nuclear, gas turbines were looked at more seriously as the answer to meet new capacity needs. This didn't happen overnight. The addition of Heat Recovery Steam Generators (HRSG) increased the total plant efficiencies and generated the critical heat for co-generation applications. This equipment changed the operation mode of gas turbines from peaking to base load applications, where efficiencies and total output were more important.

Now enter the independent power producer (IPP) business in the mid - 1980's. With the advent of PURPA and Standard Offer 4's, Industrial gas turbines fit the "new IPP business model" very well. Maximizing efficiency and lowering the unit $/KW cost was critical to maximizing IPP project valuations. As a result, combined cycle gas turbine projects became the generation method of choice. The niche began to develop. Today, this is a mature market.

With that illustration in place, I propose that the next big idea whose time