

Global overview

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2017 has been a year of great change in geopolitical terms. Change has also been particularly evident in the electricity sector as new technologies, new concerns and new priorities have surfaced.

Renewable generation continues to be a focus in many jurisdictions throughout the world. Following the Paris Agreement, many jurisdictions have set themselves increasingly aggressive targets in terms of the levels of renewable generation forming part of the energy mix. We have seen a number of renewables programmes rolled out with a regulatory and contractual framework formulated to encourage significant renewable capacity to be constructed in a relatively short space of time. We have seen tariffs for many renewable technologies, particularly solar, continue to fall reflecting reductions in the cost of underlying equipment but inevitably resulting in a squeeze on the returns developers can expect to make.

New technologies continue to be developed causing regulators to adjust and adapt regulation in an effort to encourage those new developments whilst ensuring the integrity and efficient operation of the electricity market as a whole. Storage and battery technologies have been a particular focus although it is widely recognised that regulatory frameworks need to clarify the regulatory treatment of storage and adapt to encourage the same.

Regulators have continued to encourage industry participants to focus on the end customer/consumer. Smart meter roll-out continues as

does the development of demand-side response initiatives. Sensitivities have increased on the issue of cyber security as regulators and industry participants seek to put in place measures to guard against a cyber attack and to minimise the consequences if such an attack were to occur. Regulators continue to monitor grid and distribution network operators to ensure that fair access to the grid is granted and that tariff methodologies are fair and transparent to avoid these natural monopolies from making unreasonable profits, whilst at the same time ensuring that system operators are encouraged to invest sufficiently to accommodate new technologies and the demands such technologies place on the transmission and distribution systems.

Finally, also of note, is the continued trend to seek to connect various electricity markets through interconnection – a trend we have seen in Europe but which is also being discussed seriously in the Middle East and Africa. Connection of markets inevitably raises numerous regulatory issues but also requires regulators to cooperate with each other in a way not previously seen.

The challenges, therefore, continue but there appears to be a real commitment on the part of the electricity industry and regulators alike to embrace and address those challenges and together to continue the drive towards a more carbon neutral and efficient electricity system.