

# Challenges in energy regulation

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# Two big challenges in energy

1. Pace of change across all sectors

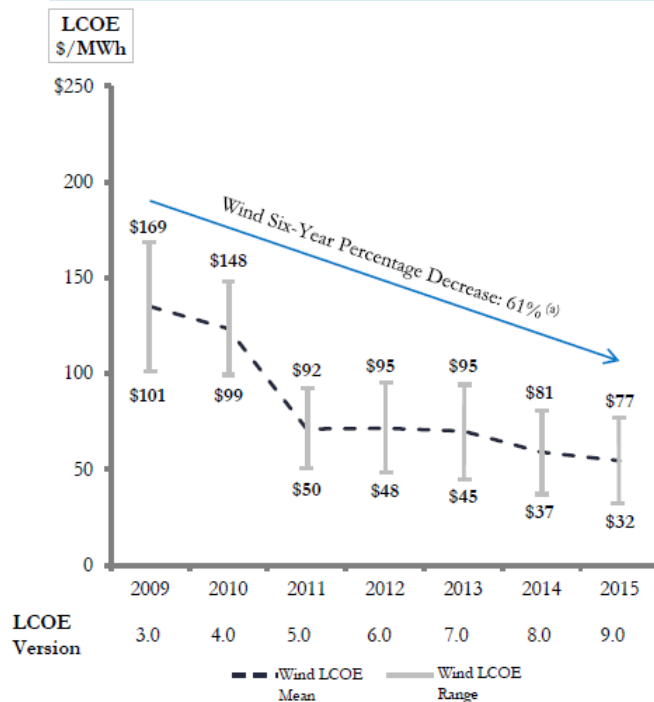
2. Growing public interest

# 1. Pace of change: this is already happening – dramatic cost changes

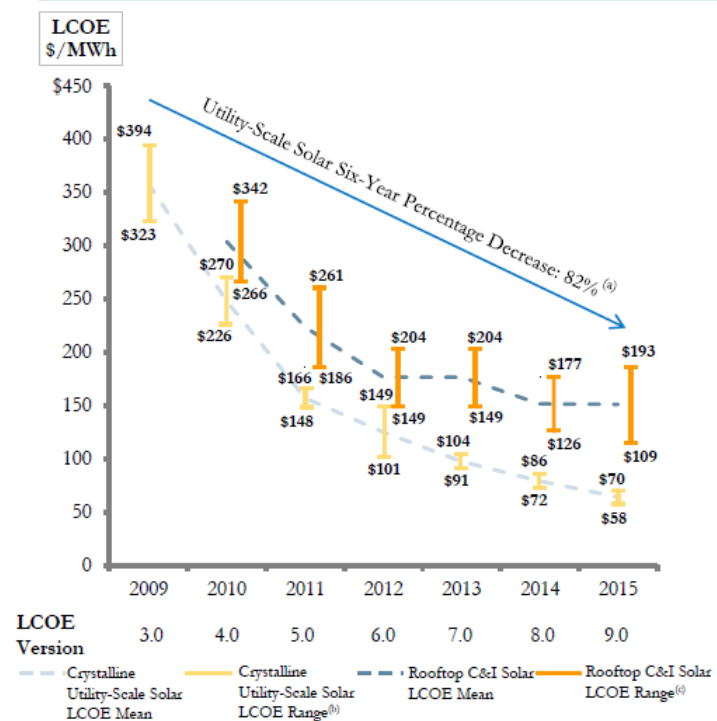
## Unsubsidized Levelized Cost of Energy—Wind/Solar PV (Historical)

Over the last six years, wind and solar PV have become increasingly cost-competitive with conventional generation technologies, on an unsubsidized basis, in light of material declines in the pricing of system components (e.g., panels, inverters, racking, turbines, etc.), and dramatic improvements in efficiency, among other factors

WIND LCOE



SOLAR PV LCOE

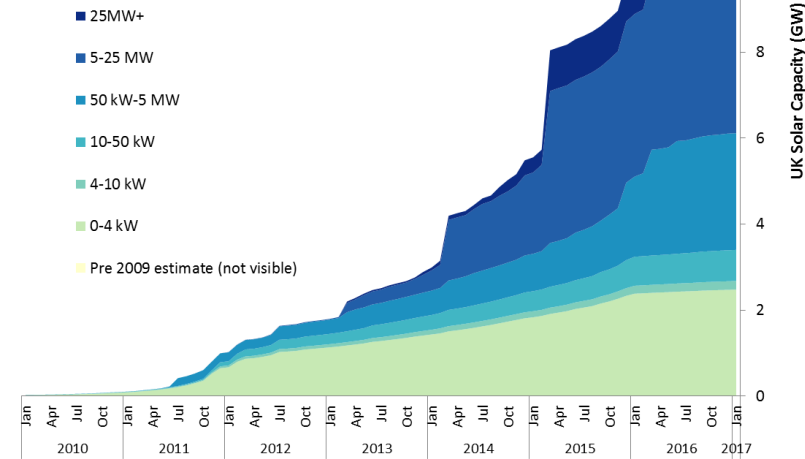


Offshore wind CfD – down to £58/MWh

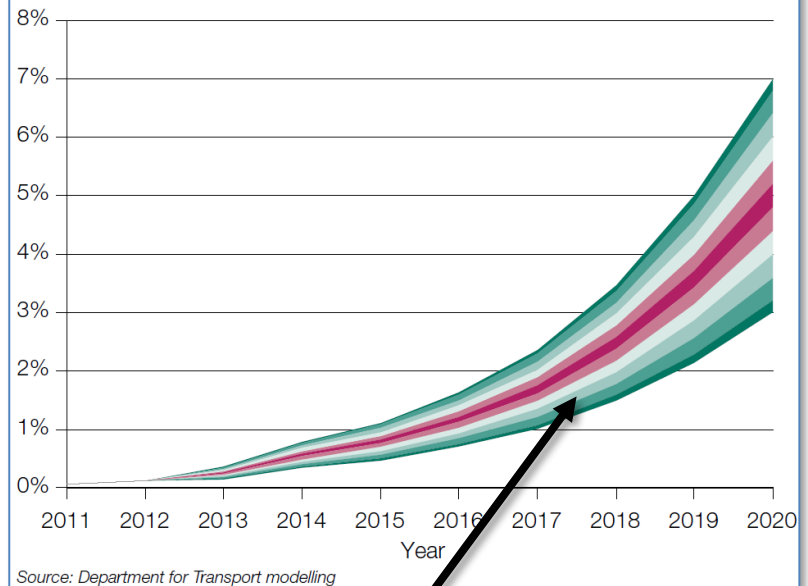
# 1. Pace of change: uptake is higher than anticipated

## Solar uptake has been near exponential

**UK Solar Deployment by Capacity (updated monthly)**



**Figure 6.3 – Projected ULEV car sales as proportion of all car sales (2011-20)**



2% of new sales, plus new government goals

# 1. Pace of change: this may accelerate and change market structures



## 1. Pace of change: Us 'experts' have not always got their predictions right

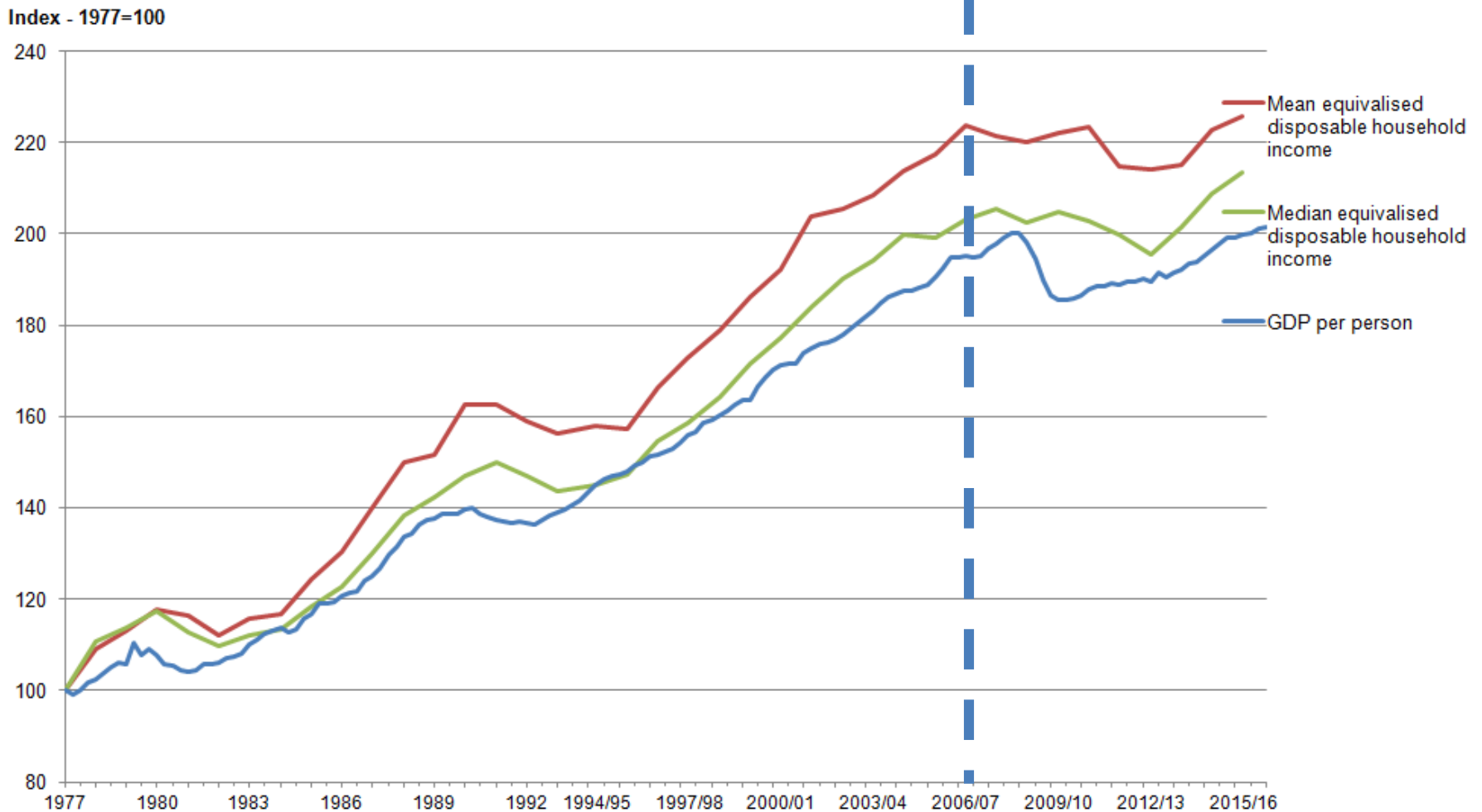
**“Soon gas will be too cheap to meter”**

**“In the 2010s we will not need gas or oil at all”**

**“In 2 years [from 2013] oil will break \$200 a barrel”**

**“Solar is unlikely to be affordable in the UK”**

## 2. Public interest: Cost of living is a growing concern – including energy



## 2. Public interest: so concern in costs of energy is high

Retail market

Network returns

Calls from across the political spectrum  
for price intervention

Greater scrutiny of returns and their  
drivers



Links across  
the piece



Changing landscape mean that price controls decisions highly linked to decisions across the system

Price control  
paradox



Long term stability vs adaptability to short term changes

Fairness a big  
issue



Wide ranging discussions on fairness

Celebrating  
success



A need to be cler how consumers are benefiting – when engaging in a wide ranging debate

# Finishing on a note of success!

