

Utility Capital Expenditure - UK - December 2018

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“The approach to infrastructure investment is in transition across the utility industry. Whereas spending in the past was mainly output-driven, investment is now more centred on innovation, higher efficiencies and long-term outcomes.

The rising pressure from industry regulators to reduce costs for consumers is another challenge utility operators face.”

– Claudia Preedy, B2B Analyst

This report looks at the following areas:

- English water companies plan to spend a record £50 billion+ in AMP7 (2020-25)
- Innovative smart grid technologies will help enable the transition to a smarter and more flexible energy system

Network operators have also been warned by utility regulators that they will face tougher price control and performance targets in the upcoming spending periods. These cost and efficiency pressures are passed onto the supply chain. Collaboration, technology and innovation will play a key role in enabling utilities and their supply chain to deliver future capital projects in the most efficient way.

The business environment is in transition across the utility sectors, with the industry challenged by a changing regulatory environment, climate change, security of supply and uncertainties regarding future network requirements. These factors also influence the industry’s approach to capital expenditure.

Infrastructure investment will continue to be a key focus across the utility sectors, driven both by the need to replace old assets and new capacity requirements on networks. However, approaches to investment are now shifting across sectors due to changes in the regulatory environment, including increased pressure to reduce costs for consumers while ensuring security of supply. There is a focus on innovation, efficiencies and long-term outcomes in infrastructure management and investment, replacing the short-term outputs and capital expenditure preferred in the past. The scope for traditional infrastructure investment may be limited, but there will be more opportunities for companies that can provide innovative solutions for efficient network and asset management.

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Water and Sewerage Industry Capital Expenditure

Overview

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Energy Networks Association

Energy Industries Council

Office of Gas and Electricity Markets (Ofgem)

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