

Bond Case Briefs

Municipal Finance Law Since 1971

S&P: Renewables Start to Shape U.S. Utility Decisions; Stable Outlook for Utilities, but More Changes to Generation Portfolios are Expected.

Last week offered two announcements in the power industry that provide concrete evidence of the small toehold that distributed generation—especially photovoltaic solar—is starting to gain competitive ground in the future energy landscape of some electricity markets. First out of the gate, Germany’s largest utility, E.ON, announced Dec. 1 a radical shift in its business strategy. The utility, which has one of the largest market capitalizations of major utility companies globally (currently about \$37 billion) intends to divest about 51 gigawatts (GW) of conventional generation, spinning off these assets into a new, independent company. It will keep its renewable generation (about 4.4 GW), along with its distribution networks, and customer solution businesses. E.ON’s CEO cited a few key reasons:

- Innovation in renewable energy and customer technology expectations has changed and mandates a change in how E.ON is organized to focus on opportunities.
- E.ON’s existing structure can’t adequately address the simultaneous challenges to conventional generation and tap into the renewable energy opportunities. The company characterized its existing conventional power plants that it will divest as a “safeguard security of supply for the transformation.”
- Two companies are needed to address both the medium to near-term needs for central station generation, which E.ON expects could be increasingly supplanted by renewables over time.

[Continue reading.](#)

10-Dec-2014