2018 Electricity reform

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In 2018, the electricity sector reform was launched as part of Amendment No. 16 to the Electricity Law, which concerned the reform of the electricity sector, after about three decades in which many unsuccessful attempts were made to implement the reform.

The purposes of the new reform were similar to the goals set by the multiple committees which previously examine the electricity sector in Israel. All came to similar conclusions, namely that there is a need to promote the public interest in the electricity sector by opening it to competition and enhance dramatic efficiencies in the expenses of the IEC, a government company, and the natural monopoly of the electricity market in Israel.

The monopolistic structure of the electricity sector has caused IEC to operate as a cluttered organization that suffers from unusual human resources costs, high operating costs, and a precarious financial situation. The inefficiency caused considerable difficulty in meeting the growing investment and financing needs, which has prevented the company from developing expertise and relative advantages and raised concerns about future electricity shortages.

The article examines the electricity reform currently being implemented in the various segments of IEC activity. The reform is still an ongoing process, and its implications for the economy have yet to be examined. However, one can estimate the effects that the economy has had over the past two years, including electricity tariffs, market competition, the impact on IEC. Moreover, one can also see similar processes that have taken place in OECD countries and understand what the implications of the reform are. The analysis of the effects indicates that two years after implementing and selling some of the production sites to private producers, IEC strengthened its resilience by reducing the deficit and began regulating labor relations and returning power to management. Still, IEC remains a significant and decisive factor in the electricity economy in Israel and constitutes a natural monopoly in the market and an essential player in the production and transmission segments.

The main conclusion that emerges from the comparing study to electricity reforms in the US and other European countries is that concerning electricity alone, without considering the introduction of alternative energies, electricity reform will not lead to lower prices for consumers. As the reform has not yet been fully implemented, it is possible that in the long run, in light of further changes in the electricity market, such as the transition to renewable energies, prices may drop. As a result, the electricity economy will open up to alternative energy producers.