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INSIGHTS REPORT

KEY TRENDS IN SALES LANDSCAPE EVOLVING HV SWITCHGEAR MARKET IN KSA



Prepared for World Utilities Congress by:



KEY TRENDS IN SALES LANDSCAPE

EVOLVING HV SWITCHGEAR MARKET IN KSA

- KSA holds the greater share of the HV switchgear market, which was at USD 1.3 billion in 2022 and is expected to grow at a high CAGR of 8.57% from 2023 to 2030.
- After 2015, the Saudi Electricity Company (SEC), the nation's primary electricity provider, adopted a strategy of bulk purchasing key equipment like HV switchgear directly.
- KSA has a dynamic HV switchgear market which can be categorized as a three-tiered ecosystem containing international suppliers, channel partners, and end users, respectively.



Switchgear plays a critical role in the energy industry by ensuring the safe and efficient operation of electrical power systems. Acting as a crucial link between power generation, transmission, and distribution, switchgear is responsible for controlling, protecting, and isolating electrical equipment and circuits. The HV switchgear market of the Middle East and Africa (MEA) was at USD 4.25 billion at the end of 2022 and is expected to grow at an impressive CAGR of 8.12% from 2023 to 2030.

KSA holds the greater share of the HV switchgear market, which was at USD 1.3 billion in 2022 and is expected to grow at a high CAGR of 8.57% from 2023 to 2030. This article explores the key trends, market dynamics, and future considerations for the HV switchgear industry in KSA.

KEY TRENDS OF THE HV SWITCHGEAR MARKET IN KSA

As the KSA's HV switchgear market is expected to grow at an impressive CAGR, some key trends that are emerging include the growing role of international players and the rise of direct procurement.



Dominant role of international players and limited local manufacturing The KSA HV switchgear market relies heavily on international suppliers from Europe and Korea due to the limited manufacturing capabilities available within the GCC region. Leading European and Korean companies like Hitachi Energy (formerly ABB), Hyundai, General Electric, Hyosung, and Siemens Energy hold a significant share of the market due to their advanced technology offerings, established track record, and global presence. Moreover, there is only one operational HV switchgear manufacturing facility in Saudi Arabia, which is in Dammam. It was previously owned by ABB, however, it recently became Hitachi Energy's property which is a European company. Thus, limited domestic production necessitates reliance on international manufacturing facilities to fulfill the growing demand for HV switchgear projects in KSA.

Rise of direct procurement The sales dynamics underwent an important transition after 2015. Traditionally, the EPC (Engineering, Procurement, and Construction) companies were responsible for the entire project scope, which included HV switchgear procurement as part of holistic substation solutions. However, after 2015, the Saudi Electricity Company (SEC), the nation's primary electricity provider, adopted a strategy of direct bulk purchase of key equipment like HV switchgear. This move aimed at cost reduction, and enabled SEC to eliminate intermediary markups and streamline their procurement procedure.



Figure 1: SEC Shifting to Direct Procurement of Equipment after 2015. Source: PTR Inc.

The SEC follows a strict procedure before deciding to procure the equipment itself. Each new contract undergoes feasibility scrutiny by the SEC. If it proves viable to remove HV switchgear and power transformers from the EPC contractor's scope, SEC procures them directly. Consequently, the EPC contractor assumes sole responsibility for acquiring the remaining substation components. This shift has resulted in a market split, with roughly 75% of HV switchgear sales being conducted through EPC channels and the remaining 25% of sales being conducted through direct SEC purchases in 2023.

HV SWGR Procurement Channel

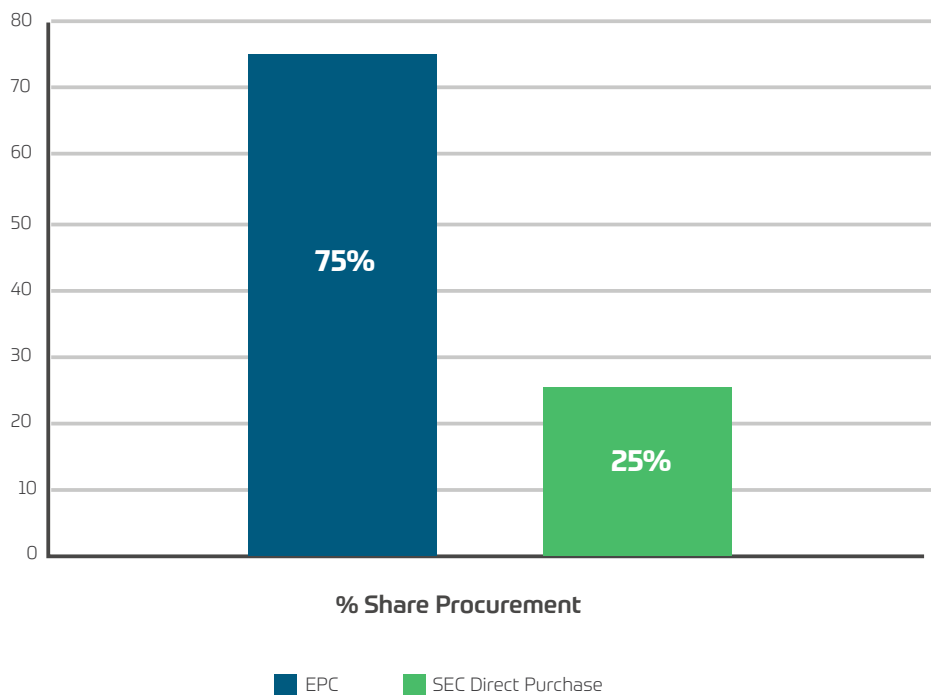
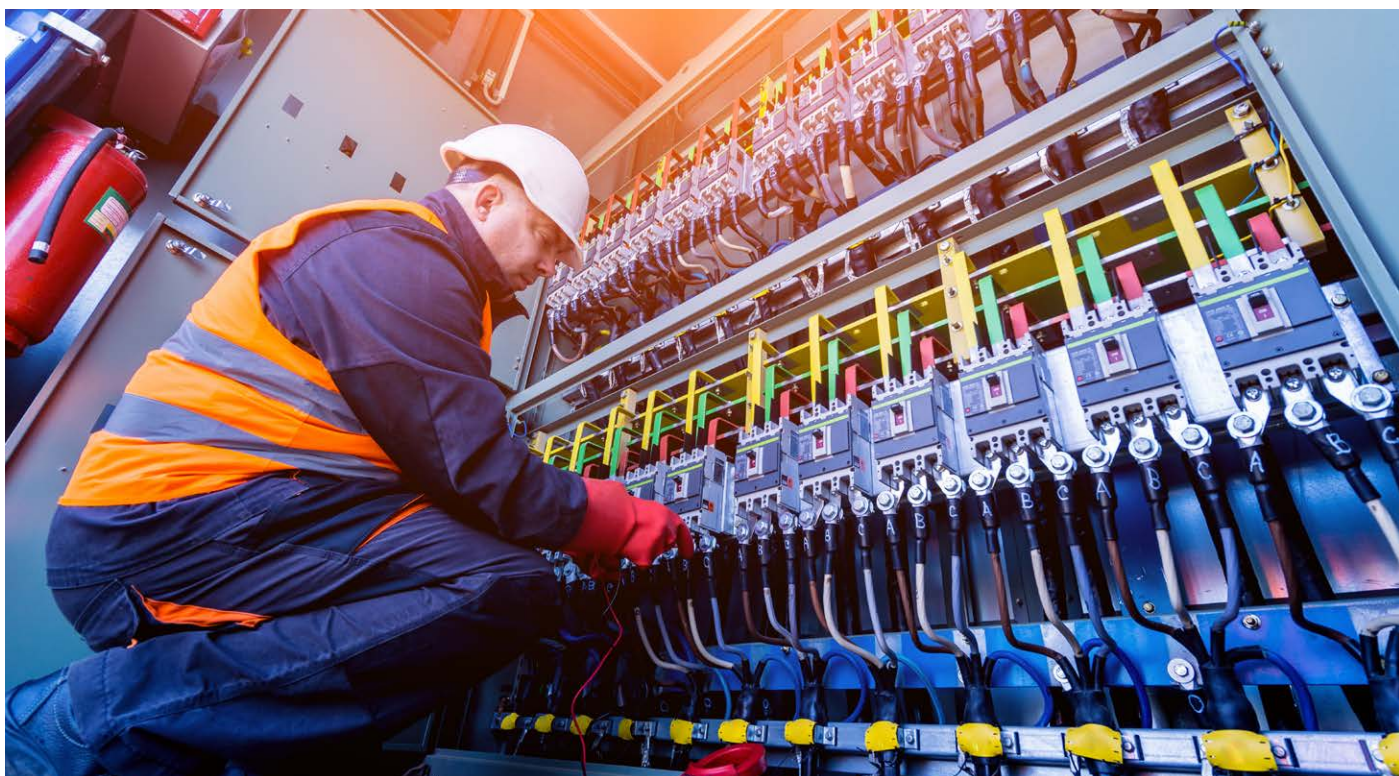


Figure 2: Percentage Share of HV Switchgear Procurement through EPC and SEC Direct Purchase for 2023. Source: PTR Inc.



EVOLVING MARKET DYNAMICS OF HV SWITCHGEAR IN KSA

KSA has a dynamic HV switchgear market, which can be categorized as a three-tiered ecosystem containing international suppliers, channel partners, and end users.

TIER 1: INTERNATIONAL SUPPLIERS



Leading international players in the global HV switchgear market dominate this tier, offering a wide range of HV switchgear solutions catering to various voltage levels and applications. However, there are some key areas that can be prioritized. Firstly, as KSA pushes towards a more intelligent grid, it should also focus on HV switchgear with integrated monitoring and communication capabilities. Secondly, as the climate change issue worsens, suppliers that offer environmentally friendly solutions with lower lifecycle costs and reduced environmental impact will have a competitive edge.

TIER 2: CHANNEL PARTNERS



EPC contractors play a crucial role in this tier. They are tasked with managing substation projects and procuring HV switchgear when it falls within their scope. Building strong relationships with EPC companies and understanding their specific procurement processes are vital for international suppliers to remain informed about the market.

TIER 3: END USERS



This tier consists of utilities like SEC, independent power producers, and industrial facilities with high power requirements. International suppliers can cater to end users by offering customizable solutions and responsive customer support. International suppliers can get a significant advantage if they tailor HV switchgear solutions to specific project requirements by the end users and local regulations by the government. Moreover, responsive after-sales support, including maintenance and training programs, can strengthen customer relationships and foster long-term partnerships. They can also form alliances with local firms or set up regional service hubs to demonstrate dedication to the market and ensure swift responsiveness to customer demands.

FUTURE CONSIDERATIONS

The KSA HV switchgear market is poised for sustained expansion, fueled by government infrastructure investments, the incorporation of renewable energy sources, and escalating electricity demand. The market presents a dynamic environment for international suppliers. Suppliers who adapt to the evolving market dynamics, embrace technological advancements, and prioritize localization strategies will be well-positioned to capitalize on these growth opportunities. While global players hold a strong position, understanding the procurement strategies of key buyers like SEC and the importance of localisation will be crucial for the long-term success of KSA's HV switchgear market.

ABOUT WORLD UTILITIES CONGRESS



Hosted by TAQA, the World Utilities Congress, scheduled to take place in Abu Dhabi from 16 - 18 September 2024, serves as an international platform that brings together global energy leaders, policymakers, innovators, and industry professionals from across the power & water utilities value chain to discuss the major trends and challenges shaping the industry as utilities worldwide work to deliver secure, sustainable, and affordable energy.

This congress will provide a vital platform for the sector to engage in discussions about the role and pace of decarbonisation in the utility industry's future. It will also showcase the latest innovations and solutions aimed at establishing a renewable utilities sector.

With over 180 global exhibitors and 12,000 utilities professionals expected to attend, seize the opportunity to explore the latest trends and innovations in power generation, transmission and distribution, nuclear energy, water management, and desalination.

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Saifa Khalid serves as Senior Analyst at PTR Inc. Her main area of interest is power systems. Currently, she leads the power grid research team in developing PTR's syndicated power grid services and manages custom research projects for Fortune 500 clients globally. The topics under her mandate include HV switchgear, MV switchgear, power transformers and distribution transformers. With a background in Electrical Engineering, Saifa brings technical proficiency to her role, ensuring impactful solutions in the dynamic realm of power systems.



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