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Tuesday 27 2005

OFGEM PUBLISHES INITIAL PROPOSALS TO EXTEND THE ELECTRICITY TRANSMISSION PRICE CONTROL FOR ONE YEAR

Energy regulator Ofgem has today (Tuesday) published initial proposals which will extend the electricity transmission price control for National Grid Electricity Transmission Ltd (NGET) (formerly National Grid Company), for one year (from 1st April 2006 until 31 March 2007). This will then allow Ofgem to set a five year price control for both the gas and electricity transmission networks to run from 2007-2012.

Under the proposals NGET will be able to invest £470 million in the transmission network next year – a significant increase on the current allowance of some £250 million available for 2005-2006. Greater resources are considered necessary as Ofgem recognises the need for increasing investment in renewing the network in order to ensure security of supply for all customers.

The direct impact on customers is expected to be minimal as transmission accounts for about 3% of a typical domestic customer's electricity bill. The proposals therefore amount to an increase of 22 pence in real terms on the average annual domestic electricity bill.

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Notes to Editors

1. Copies of the document "Extension of NGET's Transmission Owner Price Control to 2006-2007 – Initial Proposals" are available on the Ofgem website www.ofgem.gov.uk. Hard copies can be ordered from the Ofgem distribution centre on 020 7901 7116 or by email from distribution@ofgem.gov.uk
2. The purpose of the proposals is to give effect to Ofgem's decision to align the price controls of the electricity and gas transmission companies. This requires a one-year extension to the current price control for NGET, which ends on 31 March 2006. The full review of electricity and gas transmission charges will then be implemented in April 2007.
3. NGET owns and maintains the high-voltage electricity transmission network in Britain and although performance statistics show that the national grid is over 99.9999 per cent reliable, an asset replacement programme and renewal work is necessary to ensure security of supply. By putting forward these current proposals, Ofgem is adopting a similar approach to that used in the Electricity Distribution Price Control Review for 2005-2010, which allowed for a large increase in investment in distribution networks which should benefit customers through long-term security of supply.
4. Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. Ofgem's aim is to bring choice and value to all gas and electricity customers by promoting competition and regulating monopolies. The Authority's powers are provided for under the Gas Act 1986, the Electricity Act 1989 and the Utilities Act 2000.

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