

**R/13**

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## **FINAL PROPOSALS FOR NGET'S SYSTEM OPERATOR INCENTIVE SCHEME ARE PUBLISHED**

Energy regulator Ofgem has published its final proposals for National Grid Electricity Transmission Ltd's (NGET) system operator incentive scheme for April 2006 to March 2007.

NGET operates the high-voltage network in Great Britain and the incentive scheme covers external costs it incurs for keeping the system in balance by buying or selling electricity. It also incorporates NGET's own internal costs related to its role as the system operator. Overall the incentive scheme encourages NGET to operate the transmission system efficiently on behalf of all users.

Under the external cost incentive scheme Ofgem has put forward two options for cost targets of either £390 million or £410 million. These options are designed to provide a fair balance of risk and reward between NGET and customers, who ultimately pay these costs.

Under both options NGET would have incentives to beat the target. If it does so it would keep a portion of the savings and return the rest to customers. If its costs exceed the targets, NGET would have to pay a percentage of those additional costs. The cost proposal of £410 million would involve a larger percentage of savings being returned to customers and a higher percentage of additional costs being paid by NGET if the target was missed.

NGET now has the choice to either accept one of the options or reject them both. If it rejects both options Ofgem would have to decide whether to refer the matter to the Competition Commission or use direct regulation for NGET's system operator costs.

**Ends**

### **Notes to editors:**

1. Copies of the document "National Grid Electricity Transmission System Operator Incentive Schemes 2006/2007: Final Proposals" are available on the Ofgem website [www.ofgem.gov.uk](http://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](mailto:distribution@ofgem.gov.uk).

2. 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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