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OFGEM WELCOMES ENERGY REVIEW CONCLUSIONS

Energy regulator, Ofgem, has welcomed the Government's conclusions to its Energy Review published today (Tuesday).

Ofgem's Chairman, Sir John Mogg, said: "I welcome the Government's restatement of its commitment to markets and effective independent regulation as the cornerstone of Britain's energy policy to deliver secure, sustainable and affordable energy supplies for consumers. While we fully expected this, it is nonetheless fundamentally important for the challenges ahead.

"Ofgem has, I believe, already demonstrated its credentials as a regulator for the 21st Century. We are fully engaged in developing energy networks that are fit for purpose for the future. We shall undertake more forward looking analysis and, with Government, review and remove any unnecessary barriers to distributed generation. The Distributed Generation Review can build on initiatives we took at the last electricity distribution price control and work that is already underway in our newly established microgeneration forum.

"Action on a number of fronts will be needed if consumers are to become truly 'energy smart': better ways to incentivise and tackle barriers to energy efficiency; an urgent examination of the potential for smarter metering and improvements in information and accuracy of energy bills. Ofgem is playing an important role in each of these areas and our new sustainability report will assess progress, barriers and further action required by Ofgem and across Government to help reduce carbon emissions.

"The focus must be international as well as domestic and Ofgem's work in Europe will also be key. Through my chairmanship of EU regulators and membership of the Commission's High Level Group on Energy, Environment, and Competitiveness, Ofgem is well placed to contribute to and influence the debate.

"The investment needed to meet Britain's future energy needs will continue to be reflected in higher prices for business and household consumers. Given this, I particularly welcome the commitment to explore ways to better target help to vulnerable consumers – this chimes with the 'find and fix' approach, which we have advocated and we look forward to continuing to play a key facilitative role."

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Notes to Editors:

1. Copies of Ofgem's submission to the energy review "Our energy challenge: Ofgem's response (82/06)" are available from www.ofgem.gov.uk.
2. For further information on Ofgem's Energy Review submission please find attached a factsheet "Our Energy Challenge – Ofgem's submission to the

Government's Energy Review consultation". It can also be found on Ofgem's website at www.ofgem.gov.uk, alongside a factsheet, 'Investing to meet Britain's energy needs', which provides facts and figures on energy investment.

3. **Distributed Generation** - Ofgem has taken a number of steps to facilitate the development of distributed generation;
 - The Registered Power Zones (RPZ) scheme focuses on DNOs finding innovative solutions to connect more renewable generation. Where a distribution company employs an innovative solution to connect a new generator it receives a premium rate of return on the investment. A maximum of £500,000 a year during the price control is allowed to each DNO for RPZ projects
 - The Innovation Funding Incentive (IFI) encourages the Distribution Network Operators (DNOs) to invest in research and development allowing them to invest between £1-2m/year in R&D and pass 80% of this through to their customers
 - The Distributed Generation Incentive Scheme offers distribution companies an incentive to connect distributed generators to the low-voltage network, and
 - Technical issues surrounding distributed generation are being dealt with through a number of industry groups under the Electricity Networks Strategy Group.

4. **Better customer information** - Ofgem's June conclusions to our smart metering review set a course for unlocking the barriers to the wider use of smart meters. The new energy ombudsman and industry billing code, backed by Ofgem, will help drive up standards of customer billing.

5. 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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