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July 26 2006

OFGEM HIGHLIGHTS MAJOR CHALLENGES FOR THE COMING YEAR

- **Ofgem to build on successful work with Commission in push for European market liberalisation**
- **Ofgem will maintain key facilitator role for business and vulnerable customers ahead of tight winter**
- **Drive for sustainable energy solutions to continue**
- **Self-imposed cost control (RPI-X) targets for 05/06 beaten**

The major tasks of setting future price controls for Britain's gas and electricity transportation businesses and assisting the European Commission's drive for liberalisation in Europe's energy markets, are examples of the work energy regulator Ofgem will be continuing over the coming year.

Ofgem will also build on the key role it has played in 2005/2006 as facilitator: working to help major energy customers prepare for what could be another tight winter for gas supplies as major new import infrastructure is delivered.

The regulator will also continue actions taken in 2005/2006 to promote sustainable energy solutions for consumers, such as tackling barriers to new technologies in metering and microgeneration and enabling investment to accommodate growth in renewable generation. Under this sustainability 'umbrella', Ofgem will also continue its push for better targeting of help for fuel-poor customers.

Ofgem Chairman, Sir John Mogg, highlighted these themes in Ofgem's Annual Report 2005/2006, published today (Wednesday).

He said: "2005/2006 has been a crucial year for competition in Europe where the Commission has so far demonstrated a real political will to tackle head-on the reluctance among some member states to open up their energy markets. We will continue the key supporting role we have been playing with the Commission.

"Ofgem will carry on the work in 2005/2006 to help those worst affected by rising fuel bills, building on initiatives to encourage a more coordinated approach to tackling the blight of fuel poverty. Ofgem will also continue actions to promote more sustainable energy solutions; breaking down barriers to new technologies and enabling investment to support renewable generation.

In his statement for the Annual Report, Ofgem Chief Executive, Alistair Buchanan, said Ofgem will maintain the key facilitation work begun in 2005/2006 with major energy users to help them react to the harsh winter pricing and supply conditions.

Commenting on Ofgem's financial and operating performance, he said: "Ofgem has beaten its RPI-X target and we will return nearly 10 per cent (£2.9 million) of our allowed budget to licence payers. We will continue better regulation initiatives such as this in the year ahead."

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Notes to Editors:

1. Copies of "Ofgem Annual Report 2005-2006" are available from www.ofgem.gov.uk
2. Ofgem is reviewing the price controls for the four electricity and gas transmission companies which own Britain's high-voltage networks and the high pressure gas transportation system. The review will result in revenue allowances being set for the period from April 2007 to March 2012.

Ofgem is also carrying out a separate review of price controls for the gas distribution companies. This review is the first time that Ofgem will set a price control for gas distribution on its own, following the sale in June 2005 by National Grid Gas of four of its eight gas distribution networks. The existing controls come to an end on March 31 2007 but they will be extended for one year until April 2008 and then reset for the following five years until 2013.

3. From April 2005 Ofgem implemented the same five-year Retail Price Index (RPI) - X price control regime internally, as is used for regulating gas and electricity network companies.

4. During 2005/2006 Ofgem had a special focus on helping major energy users engage more effectively in the wholesale gas market. Ofgem introduced reforms to the market which included a new National Grid website providing customers with better information on demand and supply. Ofgem also hosts events around the country to bring market participants together and give large customers more information to help their energy buying decisions for winter.

5. Ofgem's Sir John Mogg is chairing an initiative announced in the Energy Review bringing together Government departments, suppliers and consumer agencies to look at ways to better target existing help to customers in pension credit over 70.

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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