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## **OFGEM PUBLISHES FINAL PROPOSALS FOR NATIONAL GRID'S ELECTRICITY SYSTEM OPERATOR INCENTIVES**

Ofgem has today (Tuesday) published its final proposals for the incentive arrangements it places on National Grid to encourage the efficient running of the high-voltage electricity transmission network.

Ofgem believes it is in the interests of customers who pay for the cost of the operation of the electricity system that National Grid is incentivised to operate the system as efficiently as possible.

Ofgem is proposing that National Grid's System Operator costs should be between £430million-£445million from April 2007-March 2008. The incentive scheme will reward National Grid for keeping costs below £430 million, but it will have to face its share of the costs if they rise above £445million. Under these incentives National Grid's rewards and its share of any increased costs above £445 million are capped at £10million.

Last year Ofgem regulated National Grid's running costs directly after the firm refused to sign-up to the incentive scheme proposed by Ofgem. If National Grid does not sign up this new incentive scheme Ofgem could again regulate the firm's costs directly or refer the issue to the Competition Commission.

### **Notes to editors**

1. Ofgem will be publishing its Final Proposals for National Grid's gas System Operator incentives in March. Ofgem will also be conducting a fundamental review of System Operator incentives this year which will lead to revised incentives from April 2008.
2. For further information the document " National Grid Electricity Transmission System Operator Incentives from 1 April 2007 (35/07) is available from the Ofgem website [www.ofgem.gov.uk](http://www.ofgem.gov.uk).

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