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## **OFGEM APPROVES NEW CHARGES FOR HIGH-VOLTAGE NETWORK**

- **Transmission charging regime for new GB electricity wholesale market agreed, with conditions**
- **NGC must review aspects of the charging regime again over the first two years of operation**
- **New British electricity market means stronger competition to benefit all customers, particularly those in Scotland**
- **Figures show that Scottish renewables are viable under new charging arrangements**

New charging arrangements paid by generators and customers to meet the £1.7 billion cost of running Britain's high-voltage transmission network were approved today (Friday) by energy regulator Ofgem.

The GB transmission network is the basis of the new British electricity market that is due to begin in April 2005.

Ofgem's approval will require the National Grid Company (NGC) – which runs the network and applies the charges – to monitor and review certain aspects of the charging regime over its first two years of operation and to propose refinements where necessary.

The new charging arrangements have been of particular interest because of their impact on Scottish customers and generators. Ofgem's decision means that:

- for Scottish domestic and business customers, the cost of transmission is set to fall – the impact on customer bills has already been seen in the north of Scotland, and
- for Scottish generators and renewables, the overall cost of transmission will stay at the same level as now, while for some generators costs may even fall.

Chairman, Sir John Mogg, said: "NGC's revised proposals have provided a good basis for this new set of transmission charges and meet the necessary legal and statutory requirements. Further improvements will need to be investigated and, as part of our approval, Ofgem's Authority has required NGC to address them.

"Much of what has been said about the impact of the new charges in Scotland has been misleading and alarmist. But the facts are that they are good news for Scottish customers on whom the costs of transmission fall. Scottish generators and renewable developers will also benefit from easy access to the whole British market, which is essential if the planned doubling of Scotland's generation capacity is to go ahead.

“The overall cost of transporting electricity will be unchanged, indeed, for some, it will fall. Given the financial support renewables already receive, we cannot see that the new charges will inhibit the development of Scottish renewables, as some have claimed.”

## ends

### Notes to Editors

1. Transmission charges account on average for 3 per cent of a domestic customer's bill, ranging from 0 per cent in Scotland to 7 per cent in the South West of England. Transmission charges account for 5-10 per cent of electricity bills for businesses customers. Larger customers can reduce their transmission charges by cutting their demand at peak periods.

2. Impact on customers:

- The costs of supplying customers in Scotland will go down. Scottish Hydro is already offering lower prices to customers in Northern Scotland having anticipated lower transmission charges.
- The impact of the new arrangements in England and Wales will vary, with London largely unaffected by the new charges and the South West, the area most affected by the change, seeing a one per cent increase in the cost of supplying a customer.

3. Impact on generators.

Similar charges for electricity generators in England and Wales have been in place since 1993 so the new charges will have the biggest impact on Scottish generation.

Benefits for Scottish generators include:

- easy access to the large markets in England and Wales. This is vital in Scotland where there is already surplus capacity, and plans to more than double the amount of generation.

*For example - A new wind generator on the Isle of Skye would pay £38 per kilowatt under the old arrangements to sell its power into England and Wales. The charge under the new arrangements will be around £23 per kilowatt.*

- The overall effect of the new charging regime is broadly neutral for Scottish generation as a whole.
- Charges will be highest in remote parts of northern Scotland, but Windfarms will still be viable given the support they enjoy from the Government's Renewables Obligation.

*For example - The highest charge under the new regime will be around £9 per megawatt hour of electricity generated for a windfarm. At current prices, renewable generators would receive about £70-80 per MWh for the electricity - this consists of about £40-50 per MWh from the Renewables Obligation mechanism and about £30 per MWh for the electricity from the market.*

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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