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Ofgem publishes final proposals for NGC's Great Britain System Operator incentive scheme

Ofgem has today (Tuesday) published its final proposals for the System Operator incentive scheme for National Grid Company (NGC). For the first time this scheme will cover NGC's role as System Operator for the whole of Britain. This reflects the creation of a new GB-wide wholesale market for electricity, which will start on 1 April this year.

The incentive scheme sets NGC a target cost for running the system efficiently and economically. If NGC outperforms this target it keeps a percentage of the savings and if it overspends this target it bears a percentage of the costs. The incentive scheme therefore encourages NGC to operate the transmission system efficiently on behalf of customers.

Ofgem has proposed a GB cost target of £377.5m. The proposals enhance the existing incentives for NGC to manage the costs of running the system efficiently. This should encourage further reductions in the costs of system operation over time to the benefit of customers, who ultimately pay these costs.

Ends

Notes to editors:

1. Copies of the document "NGC System Operator incentive scheme from April 2005: Final Proposals and statutory licence consultation" are available on the Ofgem website 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.

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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