

**R/10**

**Friday 28 March**

## **OFGEM LAUNCHES ELECTRICITY DISTRIBUTION PRICE CONTROL REVIEW**

Energy regulator Ofgem has launched its fifth electricity distribution price control review for 2010-2015 with the publication today (Friday) of its first consultation document.

The price control sets the revenues distribution companies (DNOs) can collect from their customers and places a number of incentives on DNOs. Distribution charges currently stand at around £3.5 billion a year accounting for around 17 percent of a typical domestic customer's electricity bill.

Ofgem's proposals include the following key priorities:

- encouraging DNOs to be more responsive to the needs of customers
- giving DNOs strong financial incentives to help tackle climate change, and
- delivering good value for consumers by ensuring that DNOs provide secure and more sustainable networks.

To ensure customers' needs are reflected in the price control Ofgem is encouraging all DNOs to consult with local communities before submitting their business plans for 2010-2015. Ofgem is also exploring ways to introduce greater consumer involvement in the price control process.

Ofgem wants DNOs to be more in touch with the needs of their customers, not least because of the growing customer interest in managing their own energy use, for example by installing microgeneration. Demand side management could have a significant impact on the way the DNOs invest and run their networks.

The new price control will need to be flexible as tackling climate change and responding to customers' requirements could lead to profound changes in the way distribution networks are run.

For example, it is likely that there will be growth in renewable and small-scale distributed generation. This could see much more generation connecting directly to the distribution network rather than the national grid.

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### **Notes to editors**

1) Distribution Price Controls.

Ofgem regulates the 14 DNOs, which are regional monopolies, to protect the interests of customers. Ofgem sets the total revenues that each DNO can collect from customers at a level that allows them to run an efficient business and finance their activities. Ofgem also places incentives on DNOs to improve their efficiency and quality of service. Since privatisation effective regulation has halved the cost of distribution for domestic customers while the networks have become more reliable. Since 2006/2007 power cuts have fallen by 10 per cent and the duration of those power cuts by 4 per cent.

2) Timetable

**2008**

March Initial Consultation  
December Policy Paper

**2009**

June/July - Initial Proposals  
December- Final Proposals

- 3) Ofgem has announced a two year review of RPI-X regulation, however for this Distribution Price Control the RPI-X formula will be retained.
- 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. In this information note, the functions of the Authority under the relevant Acts are, for simplicity, described as the functions of Ofgem.

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