

# Press Release

**27 November 2011**

## **OFGEM APPROVES £57 MILLION FOR PROJECTS PAVING THE WAY FOR SMARTER GRIDS**

- **£57 million funding awarded by Ofgem for six innovative projects to make Britain's local power grids smarter**
- **Projects involve trialling electricity storage batteries, better use of network capacity plus other engineering and commercial techniques**
- **Projects pave the way for transforming Britain's power grids to adapt to the low carbon economy as cost effectively as possible**

Energy regulator Ofgem has today announced that six projects are to share £57 million of funding to help local power networks become smarter. The money comes from Ofgem's £500 million Low Carbon Networks Fund (LCN Fund).

The projects will run in several areas across Britain, piloting new technology and commercial arrangements. They will create learning which will be shared amongst all local grid companies so they can develop the networks of the future. Innovation could reduce the need to invest in new network assets such as substations or overhead lines by making better use of those which are already there.

Rachel Fletcher, Ofgem's Acting Senior Partner for Smarter Grids, Governance and Distribution, said: "Britain's energy grids need to undergo a revolution in how they are run so they can connect more renewable generators and a range of low carbon technologies such as ground source heat pumps. There is a significant opportunity for companies to contain the cost of this transition by making better use of existing capacity and exploring the scope to use demand side response.

"Lessons learnt from the projects will be shared with all network companies and other interested parties. The aim here is to ensure that the networks do not hold up the decarbonisation of our energy use, and that the cost of this transition is kept as low as possible for customers."

One of the projects involves installing electric storage batteries in homes, schools and an office to see if customers could be encouraged to use this stored electricity at times of peak demand. This would reduce the load on the networks and mean customers would be rewarded with lower bills.

Another project involves using network capacity which up to now, has only been used in the event of outages due to power cuts or planned maintenance. This 'latent' capacity could be used to connect more renewables without impacting on secure supplies. Several projects involve better use of existing network capacity to manage congestion on the grid, or looking at how more low carbon generation can be connected without having to build new power lines.

**- Ends -**

1. The LCN Fund was established as part of the current price control regime for electricity distribution network operators (DNOs) which runs from April 2010 to March 2015. The fund will allow up to £500 million, to encourage and enable the companies to trial new technology, operating and commercial arrangements which can aid the transition to a low carbon energy sector. £64 million is available each year in the competitive element of the fund. This is the second year that the fund has been running. In the first year, four projects shared over £63 million.

Up to £80 million is also automatically available to the DNOs over the five years of the current price control to help fund smaller scale projects. A further £100 million is available as a discretionary award to reward projects which bring particular value in helping the networks adapt to climate change while providing security of supply and value for money to consumers.

2 The projects that are being funded this year are:

<b>Project and DNO</b>	<b>Location</b>	<b>Cost</b>
<b>Capacity to Customers</b> (Electricity North West Limited)	North West England	£9.1m
<b>Flexible Plug &amp; Play</b> (UK Power Networks)	Cambridgeshire	£6.7m
<b>Flexible Networks for a low Carbon Future</b> (Scottish Power Energy Networks)	St Andrews (Scotland), Wrexham (Wales) and Whitchurch (England)	£3.6m
<b>FALCON</b> (Western Power Distribution plc)	Milton Keynes	£12.4m
<b>BRISTOL</b> (Western Power Distribution plc)	Bristol	£2.2m
<b>New Thames Valley Vision</b> (SSE Power Distribution plc)	Bracknell	£22.8m

3. A fact sheet giving further details about the projects that have received funding this year is available here:

<http://www.ofgem.gov.uk/Media/FactSheets/Pages/FactSheet.aspx>

4. Winning projects will be funded by all distribution customers. Whilst the funding will support a trial in a specific location, the trial has been deliberately chosen for its potential to provide learning which is relevant across the whole GB network. Consequently, all customers have the potential to benefit and fund the project.

Each local distribution network operator (DNO) will collect its proportion of the total funding required (based on its number of customers) as part of the charges it levies for using the network. These charges form part of a customer's overall energy bill. Each DNO will then transfer the necessary funds to the winning companies.

5. The Low Carbon Networks Fund's independent expert panel brings knowledge and expertise covering energy network industries, environmental policy, technical and

engineering issues, economics and finance, and consumer interests. The expert panel members are: Dr Robin Bidwell, Sharon Darcy, Prof. Nick Jenkins, Prof. David Newberry and Sean Sutcliffe.

6. The projects were judged against the following criteria:

Degree to which the solution being trialled:

- accelerates the development of a low carbon energy sector
- level of impact on the distribution network
- has potential to deliver net benefits to existing and/or future customers
- generates new knowledge that can be shared amongst all network operators.

Degree to which the project:

- demonstrates a robust methodology and readiness
- involves other partners and external funding
- is relevant and timely.

7. 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. The Authority's powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002, the Energy Act 2004 as well as arising from directly effective European Community legislation.

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