

Press Release

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OFGEM ANNOUNCES £95 MILLION UPGRADE TO SCOTLAND'S ENERGY NETWORKS

- **£95 million of extra funding will help pay for upgrades to the high voltage grid in Scotland to help connect more renewables**
- **Ofgem has now approved more than £400 million extra investment in Britain's high voltage power grid in the past year**
- **Ofgem will continue to assess the business case for other upgrade projects which network companies want to undertake**

Energy regulator Ofgem has today announced a £95 million investment package over the next two years to increase the capacity of Scotland's power networks.

This is the next stage in funding the major programme of extra investment in the period to 2020 being developed by the transmission companies to help meet carbon targets. It follows on from the decision announced in January 2010 to fund an initial tranche of investment, totalling £319 million, by the transmission companies in their current price control (2007-2013).

More than £80 million of the funding will be spent by National Grid Electricity Transmission plc and Scottish Power Transmission Ltd on a package of projects to increase the amount of electricity that can flow between the high voltage networks of England and Scotland. This will help the export of renewable electricity from Scotland.

Scottish Hydro Electric Transmission Ltd will spend a further £11.5 million on upgrading its network to connect generation in the north of Scotland. Ofgem has also allowed National Grid to spend £1 million on initial development work on a proposed new power cable linking Pembroke and Wylfa in Wales. This link may be required to accommodate new nuclear generation in north Wales and offshore wind generation in the Irish Sea.

Stuart Cook, Ofgem's senior partner for Smarter Grids and Governance, said: "Upgrading Scotland's electricity networks so they can handle connections from more renewable generators is crucial to helping meet Britain's climate change targets.

"Our decision means that we have approved more than £400 million extra investment in the high voltage grids across Britain in less than a year. We are now assessing the business case for other network upgrades needed so Britain can reach its renewable energy potential."

As part of the current transmission price control, Ofgem agreed that Britain's transmission companies National Grid Electricity Transmission plc, Scottish Power Transmission Limited and Scottish Hydro-Electric Transmission Limited could invest £3.8 billion.

Last year, Ofgem introduced a framework for providing additional funding, in tranches, for critical investments over and above the £3.8 billion in the current price control. Ofgem has since been working with the transmission companies to examine the business case for

individual projects, and approve the funding when it is justified. So far, Ofgem has approved more than £400 million of this additional funding, including the £95 million package announced today.

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Notes to editors

1. Ofgem published a decision letter giving further details of the funding on January 21 2011: <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=3&refer=Networks/Trans/ElecTransPolicy/CriticalInvestments/InvestmentIncentives>
2. In January 2010 Ofgem announced a new framework for providing interim funding, within the current price control, for the major programme of additional network investment put forward by the transmission companies over the period to 2020. Further details of the funding framework are available here:
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=16&refer=Networks/Trans/ElecTransPolicy/TAR>
3. Ofgem will also take forward work to extend by a further year the funding for projects which were approved in January 2010. This could increase the total funding under this framework by a further £140m.
4. Ofgem continues to consider further investment under this framework and further funding decisions may be confirmed later for the period to end 2012/13.
5. Investment projects subject to ongoing funding consideration include the proposed Western HVDC link connecting Hunterston in Scotland to Deeside in England, which would further increase the export capacity from Scotland to England.
6. Ofgem estimates that in total, Britain's gas and electricity network companies will need to invest over £30 billion over the next decade to develop smarter networks and ensure security of supply while meeting environmental challenges.
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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