

Press Release

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OFGEM CONFIRMS A POTENTIAL FOR £1BN ADDITIONAL NETWORK INVESTMENT TO HELP MEET CARBON TARGETS

- Ofgem now authorises **£319 million of investment for network upgrades from April 2010¹**
- **This is the first tranche of the programme of extra investment by transmission companies in their current price control**
- **Ofgem will continue to assess the transmission companies' requests for funding the remaining £764 million of the £1bn package.**

Energy regulator Ofgem today published final proposals for funding the first tranche of projects from a potential £1 billion package of extra investment in Britain's high-voltage networks. The first tranche, totalling £319 million, will help connect Great Britain's growing amount of renewable electricity generation. It demonstrates Ofgem's commitment to sustainable development.

The transmission companies are in the process of providing further information to support their case for funding for the remaining projects due to start construction by April 2012, totalling a further £764 million of investment. Ofgem will make assessments and reach a decision following receipt of this information. Ofgem intends to address future funding arrangements as part of the next transmission price control review process.

Ofgem's Acting Senior Partner for Transmission and Governance, Stuart Cook, said: "The funding proposals will enable vital new generation, much of it renewable, to be connected to the grid. Ofgem has been working with industry to overcome delays to critical investments and today's funding proposals mark a significant step towards facilitating the Government's 2020 carbon emission reductions target."

The £1 billion package is in addition to the £3.8 billion² investment Ofgem approved for the three electricity transmission companies to spend on network upgrades in their current price control (see note 2). Ofgem will continue to assess the companies' requests for funding for the remaining £764 million of the £1bn package.

The £1 billion package represents 20 per cent of the transmission companies' overall ten-year investment plan for network upgrades to connect new renewable generation to facilitate meeting the government's 2020 carbon emissions target.

At this stage, Ofgem intends to allow **£241 million** of construction funding on six specific projects planned to commence construction before the end of 2010/11 (see note 3). 47 per

¹ Including construction costs to be incurred up to the end of financial year 2009/10.

² Excluding £560 million of funding for Transmission Investment for Renewable Generation (TIRG).

cent of this construction funding is to be directed at transmission reinforcement projects in Scotland, where there are expected to be large developments in renewable generation.

Ofgem also intends to allow **£78 million** of pre-construction funding over the period April 2010 to end March 2012 to develop plans for 12 further projects (in addition to the £12.5 million Ofgem allowed in February 2009).

- Ends -

Notes to Editors

1. Access the Final Proposals document here:
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=204&refer=Networks/Tran/ElecTransPolicy/tar>
2. The three electricity transmission companies are National Grid Electricity Transmission plc (NGET), Scottish Power Transmission Limited (SPTL) and Scottish Hydro-Electric Transmission Limited (SHETL). They are subject to controls on their revenue (price controls) which are reviewed every five years.
3. At this stage Ofgem intends to allow £319 million of construction and pre-construction funding. The construction spending will be on the following projects which are planned to commence construction before the end of 2010/11:
 - Beauly-Blackhillock-Kintore, (SHETL);
 - Beauly-Dounreay, (SHETL)
 - Knocknagael, (SHETL);
 - Deeside substation component of the Western HVDC link, (NGET).
 - East Anglia, (NGET) and;
 - Preparatory work on the SPTL-NGET interconnection (SPTL).
4. Ofgem may consider further funding of the following projects due to commence in 2010/11 as further information becomes available:
 - Hunterston-Kintyre link, (SHETL/SPTL);
 - Western Isles link, (SHETL);
 - Shetland link including offshore hub, (SHETL).
5. On 21 December 2009, Ofgem announced that it would extend the current transmission price control by one year to April 2013 to ensure the conclusions of its network regulation review (RPI-X@20) and other relevant developments in the transmission sector are reflected in the next control. Funding arrangements for projects incurring costs during this adapted roll-over period are to be confirmed at a later stage.
6. **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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