

15 JULY 2009

OFGEM'S RESPONSE TO THE UK LOW CARBON TRANSITION PLAN

Ofgem has demonstrated its commitment to working with Government and others to help to deliver a low-carbon energy sector that provides secure, reliable and fairly-priced supplies for consumers today and in the future. We have, for example, ensured some £10 billion will be invested in Britain's energy networks. So we are pleased to see that the key role we have played in ensuring fair treatment for consumers is recognised in today's White Paper.

We welcome too the Government's pledge to add legislative force to Ofgem's readiness to reach for regulation to benefit consumers and to our recognition of consumer concerns over climate change and energy security. This builds on our supply market probe, our review of future security of supply (Project Discovery) and our scrutiny of the fitness of the current network regulation regime in a world of growing environmental and social concerns (RPI-X@20).

We are pleased to see the Government's backing of Ofgem's call for more robust financial penalty powers and for stronger powers to tackle abuse in the wholesale electricity market – which could add hundreds of millions of pounds a year to electricity costs. And we welcome the Secretary of State's response to our call on him to use his powers to make reforms to access arrangements for transmission networks that are vital to the delivery of renewable generation at a fair price to consumers.

Currently we formally regulate only the networks' prices which account for less than a quarter of the household energy bill. Wholesale energy costs make up more than 60 per cent of domestic customers' bills and new wholesale market powers will help Ofgem to ensure that prices are fair for consumers.

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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.

For further press information contact:

Chris Lock 020 7901 7225 / 07766 511470

Alison Wright 0207 901 7217 / 07771 980297

Trevor Loveday 020 7901 7288 / 07887 652 252