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INCREASE IN ELECTRICITY GENERATION MAY REQUIRE NEW APPROACH TO CONNECTIONS

- **New initiatives are helping connect more viable renewable projects**
- **Major increase in renewable generation may mean a different approach is needed to manage connections**
- **Ofgem has allowed investment for network expansion, but key projects held up by planning**

Ofgem today outlined some short-term measures to speed up the connection of generators to Britain's electricity network. In its report, which was requested by the government in the Energy White Paper, Ofgem says that progress has been made, but further actions can be taken to help ensure network operators can connect viable projects more quickly, while a longer-term review is underway.

The large growth in renewable generation and increasing numbers of gas-fired power stations seeking connections could see another **45 GW*** of generation wanting a connection in the next nine years, according to National Grid which operates the high-voltage networks. This compares with **25 GW** of new connection over the last 16 years.

A rapid expansion in renewable generation has led to a queue of **12 GW** of generation waiting to connect in Scotland. It is unlikely that all of this generation will get built due to planning or finance issues.

Ofgem Chief Executive, Alistair Buchanan, said: "Never before has the electricity network faced such demand for connection from new generation. While Ofgem has allowed the investment to connect viable new generation, key network projects are now mired in the planning process, which could lead to delays in generators getting connected."

"Ofgem is seeking innovative ways to help connect as much generation as possible and today has published details of what has been achieved so far by the industry. Ofgem believes that whilst progress has been achieved, more can be done in prioritising the connection of those generators who have both planning permission and the finance to quickly construct their projects."

Progress has been made in connecting more generation, for example the first steps have been taken in allowing generators already connected to the transmission system to temporarily share capacity with renewable generators seeking a connection. An interim arrangement has also been put in place so generators can make a commitment to obtain a connection without having to pay high upfront costs to transmission companies covering the work needed to build the connection. This had previously been identified by generators as a major barrier.

Ofgem and The Department for Business, Enterprise and Regulatory Reform (BERR) will be publishing proposals for the long-term reform of the connection process in December this year.

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* Over the next nine years around 13 GW of nuclear, coal and oil fired generation is expected to come off the network.

Notes to editors:

1. The Short Term Access Governance review runs in parallel with the wider Transmission Access Review which Ofgem is carrying out jointly with the department for Business, Enterprise and Regulatory Reform. The report is available to download from www.ofgem.gov.uk

2. Work has already been undertaken to speed up connections for renewable projects:

- Ofgem has authorised major increases in investment in Britain's electricity networks to connect more renewable generation. In late 2004, investment of £560 million was announced to reinforce the high-voltage networks in Scotland and northern England. Scottish Hydro Electric Transmission Ltd (SHETL) and Scottish Power Transmission Ltd (SPTL) identified 10 key upgrade projects. Key among them is the upgrade to the Beaully-Denny line – the spine of Scotland's transmission network - from 132,000 volt to 400,000 volt cabling.
- In the recently concluded energy transmission price controls for 2007-2012 Ofgem authorised investment of more than £ 3.8 billion in Britain's electricity transmission networks. These price controls also introduced flexible funding mechanisms called revenue drivers to help accommodate unpredictable volumes of new generation connections. These revenue drivers are of particular benefit in providing funding for connecting new wind plant.

3. 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 functions are set out mainly in the Gas Act 1986, the Electricity Act 1989, the Competition Act 1998 and the Utilities Act 2000. In this note, the functions of the Authority under all the relevant Acts are, for simplicity, described as the functions of Ofgem.

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