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## **ALL BRITAIN'S GAS DISTRIBUTION NETWORK OWNERS ACCEPT OFGEM'S 2008-2013 PRICE CONTROLS**

Britain's four gas distribution network operators have accepted energy regulator Ofgem's final proposals for the 2008-2013 price controls.

The proposals, which will come into effect on April 1 2008, set the maximum revenue National Grid Gas, Northern Gas Networks, Scotia Gas Networks and Wales and West Utilities can earn from charges to customers over the next five years.

This was the first full five-year review of the separately-owned GDNs. Ofgem's forecasts have been prepared making extensive use of benchmarking to highlight differences in GDN performance for specific activities - something that has only been possible since the sale by National Grid of four of its eight gas distribution networks to new owners in 2005. This information has enabled the regulator to push back firmly on company forecasts and set incentives that encourage all the companies to become the most efficient GDN over the next five years.

The GDNs currently face pressures in a number of areas where costs are increasing faster than the rate of inflation. However, Ofgem expects that GDNs will be able to step up their productivity to cut the resulting level of operating expenditure by 2.5 per cent a year between 2008 and 2013.

At the next review (2013-2018) Ofgem will have five more years of evidence of how the GDNs can improve efficiency. Ofgem expects to see even more significant benefits for customers at that stage.

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### **Notes to editors**

1. In June 2005 National Grid Gas completed the sale of four of its eight GDNs. The Scotland and South of England networks were sold to Scotia Gas Networks. The Wales and West network was sold to Wales & West Utilities and the North of England network was sold to Northern Gas Networks.

2. Ofgem published its final proposals for the 2008-2013 gas distribution price controls on December 3 2007. The consultation document and accompanying press release can be downloaded from the Ofgem website.

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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