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NEW POWER ZONES WILL CONNECT MORE RENEWABLE GENERATORS TO THE ELECTRICITY NETWORK

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Energy regulator Ofgem has given the go-ahead for the first 'power zone' to connect more renewable generators to the distribution network and help the Government meet its climate change targets.

Central Networks is the first distribution network operator (DNO) to have part of its network designated as a Registered Power Zone (RPZ) by Ofgem. RPZ status is given to areas of a network where DNOs employ innovative approaches to connect new generators to their systems. While the project is the first of its kind, Ofgem is confident that other 'power zones' around the country will follow.

David Gray, Managing Director for Networks at Ofgem, said: "We are very pleased to announce Central Networks as the first distribution company to gain Registered Power Zone status for part of their network. The RPZ scheme was set up by Ofgem as part of the last price control review for distribution companies. It provides a financial incentive for DNOs to offer innovative options for generators wanting to connect to their network."

The scheme covers the Bicker Fen, Boston and Skegness areas in the Central Networks East Midlands distribution area.

The amount of renewable generators requesting connections in the local area currently outstrips the capacity of the network. Therefore the proposal will involve developing a control system to ensure that generation output can be maximised, without exceeding the network's circuit ratings. This will in turn minimise the connection costs for the generators and environmental impacts by avoiding the need to build a new overhead line.

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Notes to editors

1. Central Networks is the electricity distribution company for central England. It is the new name for Midlands Electricity and East Midlands Electricity. Central Networks is part of the E.ON Group.
2. It will cost Central Networks around £270,000 to develop the scheme. This amount does not include ongoing operational costs or generator connections cost. The scheme could enable as much as 90MW additional connected generation capacity.

3. As part of the 2005-2010 Distribution Price Control Review (DPCR4), Ofgem has introduced a new incentive mechanism for the connection of Distributed Generation (DG). The objectives of the DG incentive are to encourage Distribution Network Operators (DNOs) to invest efficiently and economically in the provision of DG connections and to be generally proactive in responding to connection requests. In addition to the DG incentive Ofgem has introduced two further incentive mechanisms: The Innovation Funding Incentive (IFI) and Registered Power Zones (RPZ). The primary aim of these two incentives is to encourage the DNOs to apply technical innovation in the way they pursue investment in and operation of their networks. An incentive package of a maximum of £500,000 per year during the price control period is allowed to each DNO for RPZ projects. The RPZ incentive mechanism combines pass-through and capacity-related elements. The capacity related element allows a DNO to recover £1.5/kW/annum for new generation connections for a 15 year period. This element is increased to £4.5/kW/year in an RPZ for the first 5 years.
4. DNOs have to apply to Ofgem to register an RPZ and Ofgem determines whether a scheme is eligible. A good practice guidance document for the RPZ scheme is available on Ofgem's website (www.ofgem.gov.uk) under the IFI and RPZ area of work.
5. 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. Ofgem's aim is to bring choice and value to all gas and electricity customers by promoting competition and regulating monopolies. The Authority's powers are provided for under the Gas Act 1986, the Electricity Act 1989 and the Utilities Act 2000.

For further press information contact:

Mark Wiltsher : 020 7901 7006 Chris Lock: 020 7901 7225

Out of hours contact: 07774 728971