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MEETING THE CHALLENGE OF BRITAIN'S RAPIDLY CHANGING ENERGY NETWORKS

- **Ofgem recognises that major investment in gas and electricity networks is needed**
- **Investment must be carried out efficiently to protect customers who will pay for it**
- **Flexible regulation is needed so network operators can meet Britain's future energy needs**
- **Ofgem has set out proposals to improve access to networks, especially for renewable energy**

Britain's gas and electricity transmission networks face an unprecedented challenge to support the growth of renewable generation, connect new gas import and storage projects and replace network equipment as it wears out, said energy regulator Ofgem today (Thursday).

Ofgem has published a consultation outlining how it plans to tackle these issues to ensure the right level of future investment in the high-voltage electricity and high pressure gas transmission networks which transport energy around the country.

Ofgem is currently reviewing the prices that the companies who own these networks will be allowed to charge so they can meet these new investment challenges, while keeping costs for customers as low as possible.

David Gray, Ofgem's Managing Director, Networks, said: "There has been a rapid growth in the amount of renewable generators wanting to connect to the high-voltage electricity networks and £10 billion is also being spent on gas import projects. Ofgem wants to ensure Britain's gas and electricity transmission networks have the right amount of resources to meet this challenge by investing appropriately, while protecting the interests of all customers."

A significant number of proposed wind farms are waiting for connections to the high-voltage network. Ofgem has, therefore, set out the case for changing network connection arrangements which would create a more level playing field for renewable generators, so viable projects can get connected quicker.

The consultation addresses other key issues such as the need for companies to renew infrastructure where its condition has deteriorated. This is particularly important for electricity network equipment, some of which is in need of replacement to maintain current high levels of reliability.

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Notes to editors

1. Ofgem is reviewing the price controls for the four electricity and gas transmission companies which own Britain's high-voltage networks and the high pressure gas transportation system. They are:

- National Grid Electricity Transmission (NGET)
- National Grid Gas NTS
- Scottish Power Transmission Limited
- Scottish Hydro-Electric Transmission Limited.

The review will result in revenue allowances being set for the period from April 2007 to March 2012. The third consultation for the review has been published today on the Ofgem website www.ofgem.gov.uk

The key issues for the review are:

- Ensuring necessary investment in transmission networks while protecting customer interests
- Developing flexible price controls so the companies can cope with future demands on the transmission network
- Improving access to the networks for renewable generators
- Ensuring customers continue to benefit from reliable and efficiently-run transmission networks.

2. A further issue which will impact on Ofgem's price control review is the Government's Energy Review, which will set out Britain's future energy policy.

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. 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.

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