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5 DECEMBER 2008

SECOND CONSULTATION ON 2010-2015 ELECTRICITY DISTRIBUTION PRICE CONTROL REVIEW

Energy regulator Ofgem today (5 December 2008) published the second consultation document for the electricity distribution price control for 2010-2015. The price control sets the revenues for distribution network operators (DNOs) who run the regional networks. Distribution charges currently stand at around £3.6 billion a year accounting for around 14 per cent of a typical domestic customer's electricity bill.

Ofgem has outlined proposals to strengthen the incentives on the DNOs to provide a secure and reliable network at an efficient cost, to improve services for customers and to help tackle climate change. Ofgem is aiming to ensure that only those DNOs that innovate and perform well against these objectives will be able to make higher returns.

Under these proposals, DNOs will need to agree to deliver a set of outputs during the period from 2010-2015. Ofgem will take a tough line with companies that do not come forward with sufficient output measures, adjusting allowed revenues as appropriate. Other key proposals for consultation are:

- DNOs will be encouraged to make an immediate contribution to the climate change agenda for example by reducing electricity lost on the distribution networks, and to trial new technology and commercial arrangements that might be required in the future low carbon economy;
- to introduce a broad measure of customer satisfaction, to strengthen and extend standards of service and to encourage the development of competition in connections.

The DNOs are planning significant increases in their capital expenditure to replace ageing assets, upgrade the networks and build more capacity where it is needed. Ofgem is challenging the companies' cost forecasts hard and will assess the opportunities for further efficiencies. But it is likely that distribution costs will increase, adding to customers bills from 2010.

We will be holding workshops in January 2009 for interested stakeholders, and are consulting on the content/structure of these.

The consultation period will close on 13 February 2009.

- **Ends** -

Notes to Editors:

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. In this information note, the functions of the Authority under the relevant Acts are, for simplicity, described as the functions of Ofgem

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