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19 December 2008

## OFGEM'S PROPOSALS COULD SPEED UP CONNECTION OF LOW CARBON GENERATION

- **Ofgem's proposals will speed up the connection of renewable and lowcarbon Generators**
- **Electricity transmission companies could get incentives to anticipate future demand for connections and invest to expand networks**
- **Ofgem's third annual sustainable development report is now published**

Energy regulator Ofgem is proposing radical reforms to the regulatory framework for Britain's electricity transmission network to speed up the connection of renewable and other low-carbon electricity generation.

In a consultation published today (Friday) Ofgem proposes reforms that aim to provide new financial incentives for electricity transmission companies to invest. The proposed incentives should encourage the companies to expand transmission capacity in anticipation of new generation being built.

The reforms, which are subject to consultation, could be introduced in winter 2009. Ofgem is also proposing measures that would remove immediate barriers to investments and proposals for new financial incentives. These could be introduced in Spring 2009.

This approach is designed to meet the challenges of connecting even more renewable generation to meet the EU's 2020 renewables targets while potentially connecting new nuclear and conventional power stations over the next 10 to fifteen years. It marks a major departure from the current arrangements where transmission companies tend to wait for new generators to make connection applications and sign contracts before starting to invest. This has led to bottlenecks and constraints on the system as major new transmission lines can take four to ten years to gain planning consent and be completed.

Ofgem Chief Executive Alistair Buchanan said: "Getting the right electricity infrastructure in place so more renewable generators can connect is critical if the UK is to meet challenging new renewables targets. We are signalling that network companies can earn a higher return for taking on some of the risk of ensuring that new transmission capacity is ready when new generation connects. But to protect customers we are saying they will earn lower returns if they invest poorly and new capacity isn't used or there are significant cost overruns."

Ofgem's proposals to speed up connection of generation add to the range of the regulator's activities that contribute to sustainable development. Alongside these proposals, Ofgem has published its third annual Sustainable Development Report assessing progress made towards developing more sustainable gas and electricity markets.

The report reviews Ofgem's activities in the past year, in relation to the delivery of a lowcarbon energy system, protecting vulnerable customers and tackling fuel poverty. As well as our direct activities, Ofgem has been working with Government and other stakeholders to influence wider developments.

The Energy Act 2008 contains provisions which, once commenced, will change Ofgem's statutory duties. The provisions highlight that Ofgem's principal objective relates to future as

well as existing customers. They also elevate Ofgem's duty in relation to sustainable development. Ofgem will therefore be giving greater weight to sustainable development and the report sets out our intentions for the next year.

**-Ends-**

## **Notes to Editors**

1. Ofgem's third report on sustainable development in the energy sector is available on this link: <http://www.ofgem.gov.uk/Sustainability/Pages/Sustain.aspx>

A fact sheet summarising the report's findings is available on this link:  
<http://www.ofgem.gov.uk/Media/FactSheets/Pages/FactSheet.aspx>

2. Changes to Ofgem's duties

The Energy Act 2008 contains provisions which, once commenced, will make two changes to Ofgem's duties, namely:

- highlight that our principle objective relates to future as well as existing customers; and
- our duty to contribute to the achievement of sustainable development has been elevated so that it is on an equal footing with our duties to meet reasonable demand for gas and electricity and ensure the financing of authorised activities.

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 powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002, the Energy Act 2004, and the Energy Act 2008 as well as arising from directly effective European Community legislation. References to the Gas Act and the Electricity Act in this Appendix are to Part 1 of each of those Acts.

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