

Press Release

R/4

7 February 2011

OFGEM IMPOSES FINES TOTTALLING £1 MILLION ON LOCAL POWER GRID COMPANIES

Energy regulator Ofgem intends to impose financial penalties on three local power network companies totalling £1m for failing to provide timely offers for connections to the local electricity network.

Scottish Hydro Electric Power Distribution (SHEPD) and Central Networks (CN) were fined £500,000 and £400,000 respectively for failing to meet the three month deadline for providing connection offers in a number of cases, and for not having systems and processes sufficient to monitor provision of their connections service. Ofgem was particularly concerned that SHEPD was not able to demonstrate full compliance until the second half of 2009. In addition, Electricity North West Limited (ENWL) was fined £100,000 for failing to meet the three month deadline in a number of cases. The companies have all co-operated with Ofgem's investigation and have accepted its findings. This is reflected in the level of Ofgem's penalties, which otherwise would have been higher.

Stuart Cook, Senior Partner, Smarter Grids and Governance, of Ofgem said: "Customers such as developers of housing estates or wind farms are reliant on local power network companies to provide a good service on connections. Today's penalty sends a clear message that the companies must meet the standards set by Ofgem for connection services. We recognise that all three companies have taken steps to improve their connection services, in some cases prior to the commencement of the investigation, but they should have taken this action sooner."

Given the need to invest £200 billion in our energy industry in the next 10 years, more than £30 billion of that in networks, it is vital that customers get prompt connections, especially given the need to expand local renewable generation schemes to deliver secure and sustainable energy supplies for consumers.

To improve the level of service customers receive from local power network companies when requesting a connection, Ofgem has now introduced compensation arrangements when local power network companies do not meet targets for good customer service in connections. From 1 October 2010, customers will receive compensation payments automatically when certain standards are breached by the companies.

-ends-

Notes to editors

1. Ofgem investigated all three companies on compliance with Standard Condition 4D and its replacement Standard Condition 12 (Requirement to Offer Terms for Use of System and Connection, of their electricity distribution licences). In 2009 Ofgem fined EDF Energy Networks for a breach of this licence condition and its replacement. More information is available here:

http://www.ofgem.gov.uk/Media/PressRel/Documents1/EDFconnections_July2009.pdf

2. SHEPD and CN were also investigated for a breach of Standard Condition 30 which requires a licensee to deploy sufficient resources on systems, processes or mechanisms, in order to ensure that it complies with its licence obligations.

3. Ofgem will shortly publish its annual gas and electricity connections industry review for 2009/2010.

4. More information about the compensation arrangements Ofgem introduced on 1 October 2010 to improve standards of performance in connections is available here:

<http://www.ofgem.gov.uk/Media/FactSheets/Documents1/ConnectionsFS.pdf>

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. 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 as well as arising from directly effective European Community legislation.

For further press information contact:

Chris Lock: 020 7901 7225

Alison Wright: 020 7901 7217

Out of hours: 07766 511470