

The Lord Mogg KCMG
Chairman



Promoting choice and value for all gas and electricity customers

Charles Hendry MP
Minister of State
Department of Energy and
Climate Change
3 Whitehall
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Our ref: Im/mp/sc

Dear Minister

Report on the enduring 'Connect and Manage' grid access regime

Ofgem was invited to monitor and report back on the impact of the enduring 'Connect and Manage' grid access regime. I attach our first report.

The regime was fully implemented only on 11 February 2011 and it would therefore be premature to draw firm conclusions about the impact of the new arrangements. The report therefore provides a broader context highlighting the impact of the *interim* 'Connect and Manage' regime introduced in May 2009.

In combination, the interim and enduring regimes have resulted in the advancement of 73 generation projects, comprising 28GW of generation (22GW which relates to wind projects). None of these projects has yet been commissioned and, until they are, there will clearly be no positive impact on carbon savings, or indeed negative impact on the costs of operating the system. I will have more to say on the level of savings and costs in future reports.

Your Department and ourselves have received a letter from National Grid highlighting the potential for major additional operating costs as a result of the 'Connect and Manage' regime. National Grid is also forecasting that these costs might exceed the scale of anticipated carbon benefits. It is too early to assess whether these forecasts are accurate, but the information underlines the wisdom of keeping the 'Connect and Manage' regime under review.

Yours sincerely

Lord Mogg

cc: Chris Huhne, Secretary of State