

Jo Swinson MP
Minister for Employment Relations and
Consumer Affairs
Department for Business Innovation
and Skills

Lord Deighton
Commercial Secretary to the Treasury
HM Treasury

Your Ref:
Our Ref:
Direct Dial: 020 7901 7357
Email: alistair.buchanan@ofgem.gov.uk

Date: 19 March 2013

Dear Ministers

Infrastructure Access Charges and Asset Replacement Costs

Thank you for your letter of 20 February about infrastructure access charges and asset replacement costs. I am replying both on behalf of Ofgem and in Ofgem's capacity as 2013 Chair of the Joint Regulators Group (JRG).

We note your concerns that owners of existing infrastructure may seek to exploit their positions and impose unreasonable charges and conditions on new infrastructure that must cross or bypass existing infrastructure. You ask that regulators consider these issues.

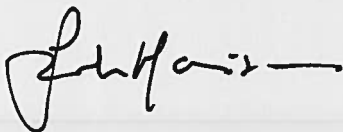
Ofgem is committed to developing regulatory regimes that promote efficient investment in, and development of, infrastructure in consumers' interests. We are also working where we can, and within our powers, to ensure there are no unreasonable barriers to the realisation of shared infrastructure opportunities. To further this, we work with the JRG Infrastructure Working Group, established in June 2012 to consider how existing regulatory frameworks facilitate synergies from cross-sectoral infrastructure sharing.

In our capacity as chair of the Joint Regulators Group for 2013, we have consulted with the economic regulators involved in the Infrastructure Working Group (Ofcom, ORR, as well as with Ofwat) on your proposal. The regulators aim to respond positively to your request and we have been in contact with your officials on this matter. We will explore further with them the nature and materiality of the problems your letter identifies and, subject to this, the scope for any action that may be taken within our powers.

The Infrastructure Working Group will lead this on behalf of the economic regulators as part of its remaining work and will provide an update to the next JRG meeting in May. We will keep your officials informed of progress.

I attach for your information a short statement reflecting this agreement that may be posted on relevant regulators websites.

Yours sincerely



PP Alistair Buchanan CBE
Chief Executive

CC: Cathryn Ross, Director, Railway Markets and Economics, ORR
Daniel Brown, Director, Strategy and Policy, ORR
David Mahoney, Director, Policy, Content and Standards, Ofcom
Iain Osborne, Group Director, Regulatory Policy, CAA
Keith Mason, Senior Director, Finance and Networks, Ofwat

Conditions and charges on new infrastructure where it crosses existing infrastructure

Statement on behalf of the Joint Regulators Group

"The Joint Regulators Group (JRG) aims to respond positively to BIS and HMT Ministers' request that regulators consider issues concerning charging and conditions on new infrastructure where it crosses existing infrastructure . This follows correspondence from Ministers Swinson and Deighton to economic regulators, which raised concerns that owners of existing infrastructure may seek to exploit their positions and impose unreasonable charges and conditions on new infrastructure that must cross or bypass that existing infrastructure

The JRG sponsors an Infrastructure Working Group whose aim is to work on how existing regulatory frameworks facilitate synergies from cross-sectoral infrastructure sharing. The group is chaired by Ofgem and its membership includes Ofcom, ORR and Ofwat.

The issues raised by BIS and HMT Ministers are different to those already on the JRG Infrastructure Working Group's agenda and the regulators need to better understand the nature and materiality of the concerns and problems raised and, subject to this, the scope for any action that may be within regulators' powers.

The JRG is keen that BIS and HMT also give consideration to whether the concerns being raised present issues for other agencies. For example, safety concerns may be relevant factors and could be behind some of the concerns apparently being raised in relation to insurance costs. As such there may also be a role for the HSE.

The JRG Infrastructure Working Group will provide an update to the next JRG meeting in May. "

1. The first part of the report is a general introduction to the subject of the study.

2. The second part of the report is a detailed description of the methods used in the study.

3. The third part of the report is a discussion of the results of the study and their implications.

4. The fourth part of the report is a conclusion and a list of references.

5. The fifth part of the report is a list of appendices.

6. The sixth part of the report is a list of figures and tables.

7. The seventh part of the report is a list of footnotes.

8. The eighth part of the report is a list of acknowledgments.