

## Press Release

**Friday 5 APRIL 2013**

### **OFGEM'S £30 BILLION PRICE CONTROLS COME INTO EFFECT**

Ofgem's ground-breaking new price controls come into effect this week, marking the start of around £30 billion investment in Britain's energy infrastructure.

The final decisions on the price controls were taken by Ofgem in 2012 and were subsequently accepted by all companies. The price controls will run until 2021 and relate to the network companies operating Britain's high voltage electricity grid and high and low pressure gas networks. Included in the network company plans is:

- around £7 billion earmarked for Scotland's high voltage electricity network, creating around 1,500 jobs
- a £15.5 billion upgrade for the high voltage electricity network in England and Wales and the high pressure gas networks across Britain, creating around 7,000 jobs, mainly in the construction supply chain
- around £8.7 billion to ensure that Britain's low pressure gas networks, which deliver gas to homes and businesses, remain safe and reliable.

Hannah Nixon, Ofgem's Senior Partner for Distribution, said: "This week marks a very significant moment as it forms a key part of implementing the investment needed to protect our security of supply. Ofgem's new RIIO price control framework delivers around £30 billion of this investment at a fair price to consumers. It also helps ensure Britain's energy infrastructure will remain among the most reliable in the world."

The scale of investment is needed to upgrade and renew Britain's infrastructure. Ofgem's new price control framework, RIIO (Revenue = Incentives + Innovation + Outputs), was designed specifically to create a stable framework to attract this significant investment at a fair price to consumers.

The increased investment needed to secure the robustness of the energy networks will have an impact on household bills. It is estimated that annual household bills will increase by an average of £9.60 each year. This amount is not cumulative – for example at the end of the price control in 2021 bills will be around £12.70 higher than today.

-Ends-

### **Notes to Editors**

#### **1. Consumer Bill Impact**

The estimated consumer bill impact is lower than that shown in the Final Proposals in December 2012 due to a change in gas distribution National Transmission System (NTS) exit charges, as published by the NTS on 14 January 2013.

Companies	Change in consumer bills								
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Average
SPTL and SHETPLC	£1.6	£2.8	£3.8	£3.8	£4.1	£4.4	£4.7	£4.9	£3.8
NGET	-£0.9	£0.6	£1.7	£2.7	£2.9	£4.1	£3.7	£3.6	£2.3
NGGT	-£1.6	-£1.8	-£1.7	-£1.1	-£0.3	-£0.6	-£0.1	£0.4	-£0.9
Gas distribution networks	£7.0	£3.3	£5.0	£3.8	£4.2	£4.2	£3.5	£3.9	£4.4
<b>Total impact</b>	<b>£6.10</b>	<b>£4.90</b>	<b>£8.80</b>	<b>£9.20</b>	<b>£10.90</b>	<b>£12.10</b>	<b>£11.80</b>	<b>£12.70</b>	<b>£9.60</b>

\* Bill impact is quoted in current (2012/13) prices

Of the total average bill impact, £6.20 is related to tax changes affecting the gas distribution network companies that are outside Ofgem's control.

The cost of the price controls is not cumulative, this is because investment and costs vary year on year and between the different companies, depending on a number of factors including what is being built that year.

2. More information on the price controls can be found in a [Price Controls Explained](http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?file=RIIO%20factsheet.pdf&refer=Media/FactSheets) factsheet - [http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?file=RIIO factsheet.pdf&refer=Media/FactSheets](http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?file=RIIO%20factsheet.pdf&refer=Media/FactSheets)

Links to the overview documents are available on Ofgem's website at the following links:

RIIO-T1

National Grid -

[http://www.ofgem.gov.uk/Networks/Trans/PriceControls/RIIO-T1/ConRes/Documents1/1\\_RIIOT1\\_FP\\_overview\\_dec12.pdf](http://www.ofgem.gov.uk/Networks/Trans/PriceControls/RIIO-T1/ConRes/Documents1/1_RIIOT1_FP_overview_dec12.pdf)

SHE Transmission and Scottish Power -

[http://www.ofgem.gov.uk/Networks/Trans/PriceControls/RIIO-T1/ConRes/Documents1/SPTSHETL\\_FP.pdf](http://www.ofgem.gov.uk/Networks/Trans/PriceControls/RIIO-T1/ConRes/Documents1/SPTSHETL_FP.pdf)

RIIO-GD1

[http://www.ofgem.gov.uk/Networks/GasDistr/RIIO-GD1/ConRes/Documents1/1\\_RIIOGD1\\_FP\\_overview\\_dec12.pdf](http://www.ofgem.gov.uk/Networks/GasDistr/RIIO-GD1/ConRes/Documents1/1_RIIOGD1_FP_overview_dec12.pdf)

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 as well as arising from directly effective European Community legislation.

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