

# RIO Electricity Transmission Price Control: Consumer information

The onshore electricity transmission system is like a motorway system of high voltage wires (strung between pylons) and cables (buried underground) across Britain. It enables generators to transport large quantities of energy to local distribution networks, who deliver it to households and businesses at safe voltages.

## Transmission Price Controls

The transmission companies are paid for the work they do through consumers' electricity bills. Ofgem, as the regulator, ensures that this work is delivered at a fair price without compromising on quality. We do this through setting price controls for the companies. Price controls are a way to set the maximum amount of money (allowed revenue) network companies can earn over a given time period, in return for a set of outputs they must deliver.

Our most recent electricity transmission price control was designed to help the move to a low carbon economy while maintaining a secure delivery network.

The network companies will be judged against how well they perform against the following outputs:



**Safety** – comply with Health & Safety legislation, ensure assets are safe and in good working order



**Reliability** – minimising how much electricity is lost because of asset failures



**Availability** – have clear policies for maintaining the network and allowing access to users



**Customer Satisfaction** – improve how companies gather and respond to customer feedback, and improve customer service



**Connections** – prompt reply to requests for connection, which is important for security of supply



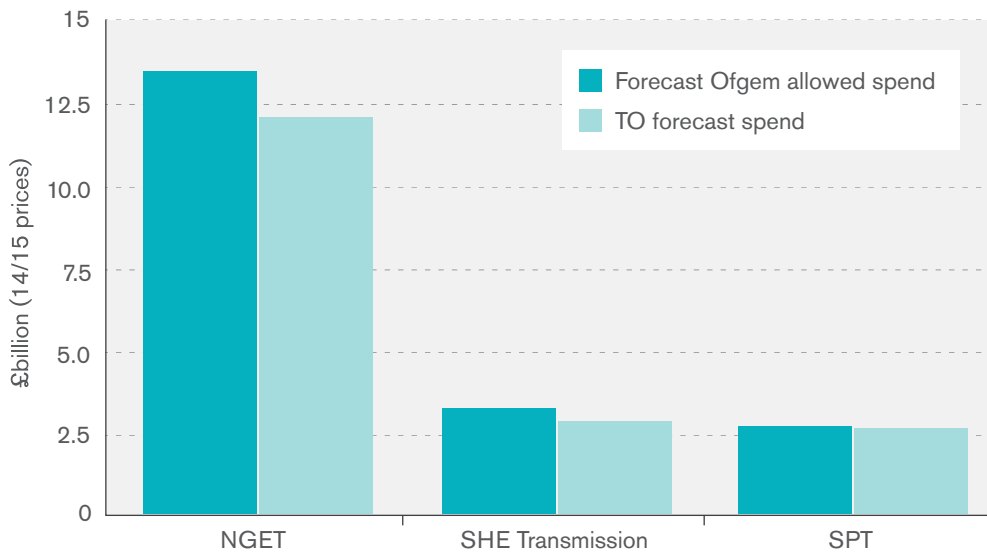
**Environmental performance** – minimise environmental impact of business

The allowed revenue they get each year can go up or down; either as a result of how well they beat/fall short of the agreed output targets, or to reflect changes in their planned workload. For example, if less new generation is needed, the associated funding will reduce.

When a network company spends less than the allowance to deliver an agreed output, both the companies and consumers benefit; the companies get to keep a portion of the saving, and consumers benefit through lower bills in the future.

We also encourage companies to innovate and cut costs by financially rewarding good ideas.

## Key facts about the RIIO-T1 Price Control



The value of the network assets at 1 April 2013: £13.2bn

Forecast spend on maintaining and adding to the networks 2013 – 21: £17.9bn

## How have the Transmission Owners performed so far?

Output	NGET	SHE Transmission	SPT
Safety	● ●	● ●	● ●
Reliability	● ●	● ●	● ●
Availability	● ●	● ●	● ●
Customers	● ●	● ●	● ●
Connections	● ●	● ●	● ●
Environment	● ●	● ●	● ●

The traffic light table on the left summarises how the companies are performing so far:

### Key

- ● achieved target in both years
- ● missed target in both years
- ● missed target in one year

The companies have generally met the standards set for the agreed outputs. In total, they have gained an additional £44m in incentive payments. They have also built some new assets at a lower cost than their allowance. This will result in extra money for the companies and lower than expected consumer bills in the future. However, there are some areas for improvement. SHE Transmission has exceeded agreed limits on emissions for two years running, while SPT has not met its connection offer target in both years. These are relatively minor issues where we would expect progress over the coming years.

## What does this mean for consumer bills?

The companies' information suggests that the transmission portion of the average electricity bill would increase by about one-fifth if transmission investment occurs at the level projected by the companies.