

PRESS RELEASE



‘Inadequate incentives for investment allowed by Regulator’

If the UK electricity distribution system is to remain resilient and better able to cope with extreme weather conditions Distribution Network Operators (DNOs) will need better incentives to spend the money required than the Regulator is proposing to allow.

This stark message was delivered by the Energy Networks Association (ENA) Chief Executive Nick Goodall following the publication of Ofgem’s Initial Proposals document this morning.

ENA’s statement echoes comments made by the Trade & Industry Select Committee (March 2004) who in their report wrote *“there is a danger that there is currently insufficient investment in the network to replace in a planned and orderly way equipment which is reaching the end of its life”*.

The Proposals document gives details of what individual companies will be able to spend over the next five years (the price review period to 2010). Although there are differences between companies, ENA believes that, looking at the UK as a whole, it is clear that the Regulator is not responding adequately either to the industry requirement for greater investment or the need to attract the finance to support it. “Ofgem is failing to meet the expectations of politicians, commentators and most importantly, the public in meeting the standards expected of our networks”

Nick added “This is not a case of ‘you would say that’. Investment is essential but will not mean a steep rise in electricity prices. We have an old network that needs both replacing and strengthening. We’re running it efficiently, having made significant savings in the past, but there’s limited scope for further operating savings. The Regulator hasn’t recognised this either.

We now need to focus on ensuring a robust long-term electricity distribution network regime that encourages and rewards continuing excellence, which ultimately benefits every customer through high standards of service”.

Ends

The Energy Networks Association is the industry body for the gas and electricity transmission and distribution licence holders in the UK.

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