PRESS RELEASE

ENERGY NETWORKS ASSOCIATION

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ELECTRICITY DISTRIBUTION PRICE REVIEW INITIAL REACTION

The Energy Networks Association (ENA) and its member companies note the publication of Ofgem's consultation paper published today (25.03.04) on the policy issues for their forthcoming price review.

Nick Goodall, Chief Executive of the ENA, commenting on the paper, said "I'm pleased Ofgem has acknowledged the need for the companies to upgrade and replace their ageing infrastructure to ensure customers continue to receive the high quality of service they expect." However, he added "there must be the prospect of adequate returns to investors to attract the funds necessary to finance this scale of investment. Independent advice which the companies have received certainly points to the need for a higher cost of capital than Ofgem's initial views would suggest".

"The current regulatory regime has delivered good value for money for customers with reducing prices coupled with improved network performance. It is vital that the future framework retains powerful incentives for companies to pursue further efficiencies, to out-perform their price controls and earn more than the minimum allowed return. If not, innovation will be stifled to the detriment of future customer prices".

The ENA and its member companies will review the document in detail and comment further on it during the coming weeks.

ENDS

NOTES TO EDITORS:

1. The Energy Networks Association came into existence on 1 October 2003. It was formed by the Gas and Electricity Transmission and Distribution Licence holders.

2. Copies of the report are available on the ENA website. Go to: www.energynetworks.org/pubs.asp

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