

# Project TransmiT – reviewing charges for using networks

Factsheet 92 22.09.10

[www.ofgem.gov.uk](http://www.ofgem.gov.uk)

## TransmiT

**Ofgem's Project TransmiT is a comprehensive and open review of the charging regime and associated connection arrangements for Britain's high-voltage electricity network and high-pressure gas grid.**

Energy customers in Great Britain pay more than £2 billion a year for the transmission of energy through these grids. **Project TransmiT** will consider whether the way in which grid costs are shared between users needs reforming. It will also ensure the charging regimes for using the grids promote security of supply and a low-carbon future, while keeping the cost of transmission to customers under control.

**Project TransmiT** will focus on the transmission charging arrangements and the practical and commercial difficulties experienced by parties seeking to connect to the transmission networks. The project will examine aspects of the current arrangements that have been specifically left for Ofgem to resolve with industry and so fall outside the scope of the Government's recent work to implement enduring reforms to the electricity transmission grid access arrangements<sup>1</sup>.

Ofgem investigated whether or not future security of energy supplies can be delivered by the existing market arrangements over the coming decade in its Project Discovery. The conclusion was that up to £200 billion investment is needed in energy infrastructure in GB over the next 10 years. Project TransmiT will seek to ensure the industry faces the right incentives to deliver new pipes and wires to support this.

<sup>1</sup> <http://www.decc.gov.uk/assets/decc/Consultations/Improving%20Grid%20Access/251-govt-response-grid-access.pdf>

## ► Why is the review needed?

**Project TransmiT** will review the charging arrangements for the electricity and gas networks, ensuring that a consistent approach is adopted for both. However, Ofgem's initial focus will be the charging regime for the electricity network, including the charges that generators pay before they can export power.

The current regime encourages generators to locate close to the areas where there is higher demand for electricity. However, an increasing amount of low-carbon generators must be connected to meet the UK's climate change

targets and some have argued that they have less flexibility than conventional fossil-fuel plant on where they can locate.

If reforms are needed, **Project TransmiT** will develop these and take them forward. There are a number of inter-related factors that we will need to consider as part of this review, including the potential impact of pan-European developments.

## ► Why now?

Ofgem has recently concluded a major review of the governance arrangements that underpin the energy industry. By the end of 2010 Ofgem and other industry parties will be able to instigate changes to charging arrangements. Previously only National Grid could do this.

Ofgem is also undertaking the review now following Parliament's clarification of our sustainability duties in the Energy Act 2010.

## ► Have your say

Ofgem wants to draw on the widest range of stakeholder input, including independent academic reports, international experience and alternative models. As a first step it has published a Call for Evidence seeking views on the scope and priorities for the review.

Ofgem anticipates holding workshops and roundtable

events so stakeholders can share views. They will also be able to contribute evidence and analysis online by using this area of Ofgem's website: <http://www.ofgem.gov.uk/Networks/Trans/PT/Pages/ProjectTransmiT.aspx>. The Call for Evidence document is also available in that section of the website.

## ► What happens next?

Initial proposals will be published in spring 2011 and the initial phase of the review will be complete by next summer.

### For further information please contact:

<b>Mark Wiltsher, Head of Special Projects</b>	020 7901 7006	email <a href="mailto:mark.wiltsher@ofgem.gov.uk">mark.wiltsher@ofgem.gov.uk</a>
<b>Chris Lock, Senior Communications Officer</b>	020 7901 7225	email <a href="mailto:chris.lock@ofgem.gov.uk">chris.lock@ofgem.gov.uk</a>
<b>Alison Wright, Communications Officer</b>	020 7901 7217	email <a href="mailto:alison.wright@ofgem.gov.uk">alison.wright@ofgem.gov.uk</a>