

## **Major review of UK energy network regulation**

UK energy regulator Ofgem has released a number of forward-looking projects it says are designed to ensure that Britain's gas and electricity industries meet the needs of consumers now and in the future, and pave the way for a lowcarbon economy. One project represents a wholesale review of Ofgem's core business, that is, its pipes and wires regulation. The regulator is re-evaluating the regime that has governed the revenue and expenditure of the energy networks for almost 20 years. The review, *Regulating Energy Networks for the Future*, referred to as RPI-X@20, aims to ensure that the regulation of Britain's energy networks is fit for purpose in the face of new environmental, economic and social challenges. The review is supported by recent groundbreaking research from leading academics looking at what sort of energy networks the UK might need in 20 and 40 years' time. "RPI-X@20 provides us with the opportunity to step back and think hard about whether we have in place a regulatory framework that will continue to deliver for consumers, be flexible in the face of greater uncertainty, and facilitate the move to a low-carbon economy," says Ofgem Chief Executive Alistair Buchanan. "Our work on what sort of energy networks we might need in 20 and 40 years time concluded that with the drive to decarbonise the energy sector they are likely to be radically different." He says with new technologies being developed all the time the future is very uncertain. "We may need much larger networks to transmit much more carbon-free renewable and conventional energy from large power stations to peoples' homes with rising demand from electric vehicles," says Buchanan. "But smart grid technology, energy efficiency and more local generation could require much smaller networks," he adds. In the first phase of the project, Ofgem aims to understand the issues affecting network regulation, identify areas where change may be needed to accommodate these, and identify possible regulatory models for the future. "We are ruling nothing out of scope in this stage," he says. The first phase will culminate in the publication of an emerging thinking consultation document in November 2009. The second phase will involve the narrowing of the scope of the project and a detailed working-up of options identified as having high potential. This phase of the project will culminate in a set of conclusions and recommendations that will be consulted on in [northern hemisphere] spring 2010 before being delivered to the Authority in summer 2010.

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