Dear Mr Yeo

**Ofgem announces £17 billion for electricity network and cuts bills for customers**

I am writing to inform you that Ofgem has today set out its proposed price control settlements for five of the six companies that run Britain’s local electricity network, which transports energy into homes and businesses.

The proposals will see the network companies spend £17 billion to upgrade and maintain Britain’s local electricity network. At the same time, this part of the energy bill – which accounts for 8% of an annual dual fuel bill – will be on average £12 a year lower than it is today for the eight-year period of the control. These proposals are planned to come into effect in April 2015 and run until 2023.

Last November, Western Power Distribution was the only company to have its price control agreed early after Ofgem determined that its business plan for the eight year period showed sufficient value for consumers. We returned five of the six companies plans (UK Power Networks, Northern Power Grid, SP Energy Networks, SSE Power Distribution and Electricity North West) because they failed to deliver value for consumers at that time.

Since then, £2.1 billion has been cut from the plans, with companies identifying £700 million of savings and Ofgem disallowing £1.4 billion following detailed analysis including benchmarking of costs. In addition, we challenged the companies to improve customer service and take a more active role in helping vulnerable customers.

We have also improved targets to help new customers such as businesses, windfarms and housing developments get connected to the network faster.

The proposals will now be under consultation for eight weeks. We will publish the final decision in November 2014. Further information on the announcement can be found on Ofgem’s website [www.ofgem.gov.uk](http://www.ofgem.gov.uk).

Yours sincerely

Dermot Nolan