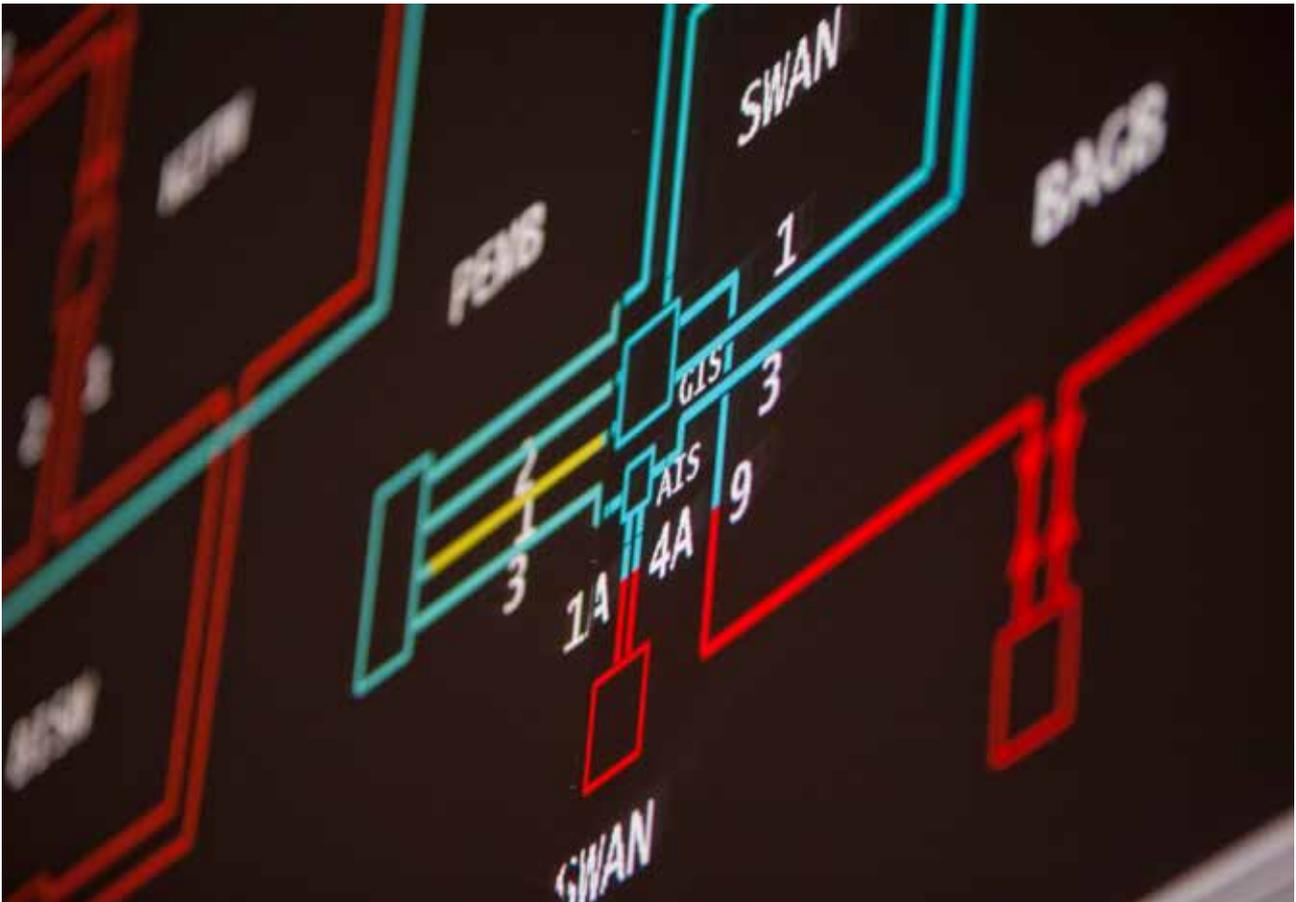


# Explaining network costs



Network infrastructure is the backbone of Great Britain's energy supply. Together, the high-voltage power lines, gas pipelines, interconnectors and storage facilities which span the country enable electricity and gas to be moved to where it is needed. National Grid owns and operates important parts of this network, namely:

- the national high-pressure gas network throughout Great Britain
- the high-voltage electricity transmission network in England and Wales

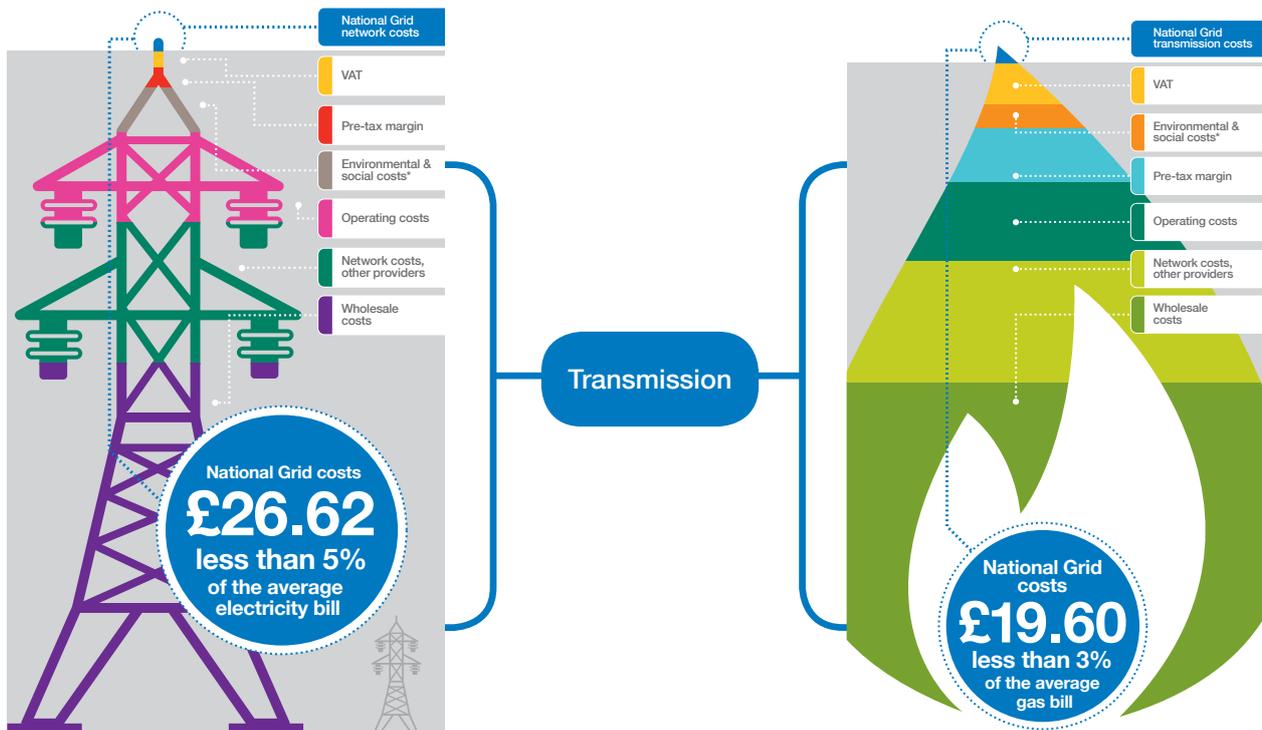
### Network costs explained

Consumers pay for the cost of this infrastructure through the network costs part of their energy bills.

- For UK consumers, the cost of National Grid's **electricity and gas transmission services** make up a small proportion of the average gas and electricity bill. The cost per household is less than 5% of the average electricity bill and less than 3% of the average gas bill. The cost per householder for both gas and electricity bills is around £46 or around 12p a day.
- **Electricity transmission costs**, incurred to keep the 'motorway networks' of our electricity infrastructure running smoothly are about £26.62 per year, while **gas transmission costs** are around £19.60 per year.

## Explaining network costs

An illustration of how much National Grid's gas and electricity networks cost the consumer



### What do network costs deliver?

- **New sources and uses of energy:** It is vital we connect new energy sources to meet consumer needs and we're investing £16bn in our energy infrastructure over the next five years.
- **Replacing ageing assets:** About £9.5bn of our investment plan is to replace and renew network equipment.
- **Financing costs:** Our business requires a lot of capital investment to build the new electricity and gas infrastructure that is needed to deliver secure, sustainable and affordable energy in the future. A significant proportion of our revenue covers investment, a process scrutinised by industry regulator Ofgem.

### Is it value for money?

- National Grid also operates one of the most reliable network systems in the world. Our **electricity transmission network** in England and Wales has a reliability figure of 99.9999% despite the fact the power is often generated at the extremities of the network, far from urban centres.

### How are network costs monitored?

National Grid's revenues are controlled by energy regulator Ofgem under a regulatory price control called RIIO. Our costs are the only part of gas and electricity bills that are regulated.

We are incentivised by the energy regulator Ofgem to get the most cost-effective deal for bill payers. Over the past three years, this has already seen us generate savings of around £330m to give back to UK customers under the RIIO price controls.