NIC proposes electricity bill hikes for UK households to boost network investment

The National Infrastructure Commission (NIC) has urged for increased billing and a revamp of the UK's electricity network regulation to cater to the surging power demand.

The current regulatory framework overseen by Ofgem is deemed "too complex" and deters network operators from making the necessary "proactive investments" to enhance capacity, according to the government's independent adviser in its latest report, as reported by City AM.

With electricity demand projected to double by 2050 and investment trailing, there have been hold-ups in securing grid connections, impeding the expansion of renewable energy initiatives.

"The UK is heading in the right direction on decarbonising power, but we can't be complacent," stated Sir John Armitt, chair of the National Infrastructure Commission.

Armitt called for a "new approach" to regulation that motivates operators to make "prudent local investments" in anticipation of future needs and to lessen climate impact. The NIC's recommendations could see the average annual household electricity bill increase by £5 to £25.

"Asking consumers to make a small contribution up front to enable this won't be welcome," conceded Armitt, but he maintained that the potential rewards were significant: "big prize on offer: harnessing the benefits of cheap renewable generation sooner rather than later and building a secure network optimised to support economic growth and decarbonisation, with resilience baked in."

The Commission’s year-long investigation concluded that Ofgem’s price control process, a mechanism to regulate the profits of operators, needs simplification beyond just prioritising low costs for consumers in the short term.

The report also urges the government to enact a series of changes to the planning system by 2025, to minimise uncertainty and expedite the approval of new infrastructure projects.

These changes include modifying legal acts that facilitate the construction of overhead lines and substations, which transport electricity through the system.

An Ofgem spokesperson responded: “Ofgem welcomes the NIC’s report and we are encouraged that many of the recommendations chime with work already underway.

“We are committed to promoting growth and investment and enabling network operators to invest for the future. Last week we proposed radical reform to speed up grid connections and we are committed to introducing flexibility in the system that rewards customers for using energy during hours when demand is low.

“We will consider all aspects of this report and will continue to work in partnership with government, NESO and industry to build on the progress already made as we push forward to the next stage in the drive to net zero.”

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