

**Title:** Economic lives of energy network assets

**Date:** 2010

**Client:** OFGEM, UK

**Country/Region:** UK

CEPA led a consortium that provided advice to Ofgem about the technical and economic lives of the assets that make up the gas and electricity networks, and the most appropriate depreciation policy that should be applied to them.

As a consortium, CEPA and its engineering partners assessed:

- The state of existing energy networks. This includes distribution and transmission networks for both gas and electricity.
- The technical lives of new and existing assets, based on a thorough assessment from the engineering partners within the consortium.
- The economic lives of new and existing assets, including uncertainty about the development of energy markets and the impact of different future energy scenarios.
- A variety of depreciation profiles. CEPA considered various different depreciation profiles in order to set an appropriate phasing of charges to customers, based on for example the long run incremental cost of the asset, or the use of the network, and/or the fixed costs of the system.
- Revenue and profit implications of depreciation options, based on an analysis of various financial ratios.

CEPA developed a multi-scenario financial model which incorporated outputs from the engineering/technical analysis, and assessed the impact of various options on the financeability of network operators and the price impacts for the average household bill. The report was published by Ofgem in December 2010.

**Links:**

- [OFGEM](#)