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Tuesday 31 August

RENEWABLES OBLIGATION - ATLANTIC ELECTRIC AND GAS LIMITED

Energy regulator Ofgem has announced today (Wednesday) that Atlantic Electric and Gas Limited (Atlantic) will be unable to meet its Renewables Obligation for 2004-2005.

Atlantic went into administrative receivership in April 2004 and Ofgem has been informed that there will not be any funds available at the end of the administration period for unsecured creditors. Ofgem is satisfied that there are no further steps that could be taken by Atlantic to comply with the Obligation and that it would serve no practical purpose to issue provisional orders or final orders in these cases.

The failure by Atlantic to comply will lead to a short fall in the buy-out fund of £699,055 for the Renewables Obligation and £15,067 for the Renewables Obligation Scotland.

Ofgem regards breaches of the Renewables Obligation very seriously. Any licensed supplier found in breach of their obligation may be subject to enforcement action.

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Notes to Editors

1. Ofgem has the responsibility for implementing the Government's Renewables Obligation, which started in April 2002. The obligation requires electricity suppliers to supply a certain proportion of their total sales in Great Britain from electricity generated from renewable sources. This proportion starts at three per cent in 2002 – 2003 and reaches 15.4 per cent in 2015 – 2016. The Renewables Obligation was established by the DTI and is administered by Ofgem in England and Wales. The Renewables Obligation Scotland was established by the Scottish Parliament and the Scottish Executive.

2. In order to meet the targets, suppliers can present Ofgem with enough Renewables Obligation Certificates (ROCs) or use a buy-out clause to make up the difference. They can also use a combination of ROCs and buy-out to meet the obligation. The buy-out price per megawatt hour of electricity is calculated by Ofgem each year by adjustment to reflect changes in the Retail Prices Index. The buy out price for the 2004-2005 obligation period was £31.39/MWh. For 2005-2006 it is £32.33/MWh. Companies using the buy-out clause are actually assisting the growth of the renewable energy industry as the buy-out fund is redistributed to suppliers in accordance with how many ROCs they have presented. This redistribution therefore forms an element of the price paid to generators for their ROCs.

3. Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. Ofgem's aim is to bring choice and value to all gas and electricity customers by promoting competition and regulating

monopolies. The Authority's powers are provided for under the Gas Act 1986, the Electricity Act 1989 and the Utilities Act 2000.

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