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Thursday September 8 2005

RENEWABLES OBLIGATION - 1 APRIL 2004 to 31 MARCH 2005

The third period of the Renewables Obligation finished in March this year. Electricity suppliers must comply with their Renewables Obligations by 1st October 2005.

According to information received to date from suppliers, the total Renewables Obligation on electricity supplied to customers in England and Wales is 14,315,784 MWh, and on electricity supplied to customers in Scotland is 1,445,283 MWh.

Suppliers can meet their Renewables Obligations for the year to 31 March 2005 by either presenting Ofgem with Renewables Obligation Certificates (ROCs) to the value of 4.9 per cent of electricity supplied to customers, by using a buy-out clause which allows them to pay £31.39/MWh for any shortfall or by using a combination of ROCs and buy-out.

-Ends-

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 started at three per cent in 2002 – 2003 and reaches 15.4 per cent in 2015 – 2016.
2. All renewable generators apply to Ofgem for accreditation that their electricity is generated from eligible renewable sources. These generators are then issued with Renewables Obligation Certificates (ROCs) for their qualifying output. Each ROC represents one megawatt hour of electricity. The renewable generator can sell ROCs either with or separately from the electricity generated.
3. In order to meet the targets, suppliers can present Ofgem with enough 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.
4. Suppliers provide Ofgem with their total sales figures for each obligation period in order for their Obligations to be calculated. If a supplier fails to meet its part of the Obligation, either through not

producing sufficient ROCs or not making the correct buy-out payments, they will be in breach of the Electricity Act and liable to enforcement action.

5. Ofgem is awaiting confirmation from one electricity supplier, AEP Energy Services, that it had zero sales in the third obligation period.

6. Ofgem is the Office of 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 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. In this information note, the functions of the Authority under the relevant Acts are, for simplicity, described as the functions of Ofgem.

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