

R/3

January 23 2006

RENEWABLES OBLIGATION BUY-OUT PRICE PUBLISHED

Energy regulator Ofgem has announced today (Monday) that the buy-out price for the fifth year of the Renewables Obligation is £33.24 per MWh.

The new rate will apply for the obligation period 1 April 2006 to 31 March 2007.

The buy-out price allows electricity suppliers to make up any shortfall between the amount of their obligation and the number of Renewables Obligation Certificates (ROCs) presented to Ofgem. The buy-out price is adjusted each year to reflect changes in the Retail Prices Index.

Ends

Notes to Editors

1. Ofgem has the responsibility for administering the Government's Renewables Obligation, which started in April 2002. The obligation requires electricity suppliers to supply a certain and growing 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. One ROC is issued for each megawatt hour of electricity produced. The renewable generator can sell ROCs either with or separately from the electricity generated.
3. Suppliers meet their Renewables Obligation by presenting enough ROCs to Ofgem, or making an equivalent payment into an Ofgem-administered dedicated buy-out fund. They can also use a combination of presenting ROCs and making buy-out payments to meet their obligation. The buy-out price per megawatt hour of electricity is adjusted by Ofgem each year to reflect changes in the Retail Prices Index. 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.

4. The Government set the buy-out price at £30/MWh for the first year of the Renewables Obligation (2002-2003) since then it has been adjusted by Ofgem to reflect changes in the Retail Prices Index.

- For the 2nd year (2003-2004), it was £30.51/MWh.
- For the 3rd year (2004-2005), it was £31.39 per MWh.
- For the 4th year (2005-2006), it was £32.33 per MWh.

5. 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 by the Gas Act 1986 and the Electricity Act 1989, as amended by the Utilities Act 2000 as well as under the Competition Act 1998 and the Enterprise Act 2002.

For further press information contact:

Chris Lock 020 7901 7225

Mark Wiltsher 0207 901 7006

Out of hours 07766 511470

