

R/49

TUESDAY OCTOBER 31, 2006

THE RENEWABLES OBLIGATION BUY-OUT FUND (2005-2006)

Figures showing the total amount of Renewables Obligation Certificates (ROCs) presented to Ofgem and the size of the buy out fund for the fourth obligation period (2005-2006) have been published today (Tuesday).

For this fourth year of the scheme, the total Renewables Obligation (RO) for electricity supplied to customers across the UK was 18,032,904 megawatt hours (MWh).

- The total RO in England and Wales was 16,175,906 MWh
- The total Renewables Obligation (Scotland) (ROS) was 1,648,679 MWh.
- The total Renewables Obligation (Northern Ireland) (NIRO) was 208,319 MWh.

This is a revision to the information published on 12 September, following receipt of further information from one of the suppliers in administration.

A total of 12,232,153 ROCs were correctly submitted by suppliers to Ofgem for the RO before the 1 October 2006 statutory deadline. Suppliers correctly submitted 1,425,869 ROCs for the ROS and 41,295 ROCs for the NIRO.

The total RO buy-out payments correctly received by 1 October 2006 were £126,735,591.40 for England and Wales, £7,086,897.65 for Scotland and £5,354,332.86 for Northern Ireland. The total amounts of the RO buy-out funds redistributed on 27 October were £127,167,900 for England and Wales, £7,112,608 for Scotland and £5,373,870 for Northern Ireland (including interest).

Four suppliers went into administration during 2005/06 and had their licences revoked under the Supplier of Last Resort arrangements – Eledor Limited, The Team Group of Companies Limited, Utility Link Limited and Zest4 Electricity Limited. From the information we hold, we estimate the shortfall in the main buy-out funds to be around £800,000 for the Renewables Obligation and around £2,000 for the Renewables Obligation Scotland. Based on this, mutualisation will not be triggered for 2005/06.

It is possible that we may obtain some funds from the administrators later in the year. If we do, these monies will be credited to the late payment funds and then redistributed in the same way as the main funds. We are required to redistribute these funds by 1 February 2007, but will do so earlier where we can.

Ends

Notes to Editors

1. Ofgem has responsibility for administering the Government's Renewables Obligation, which started in April 2002 (April 2005 in Northern Ireland). The Obligation sets a level for

electricity suppliers to source at least part of their electricity from renewable generators. In England & Wales and Scotland, this level started at 3 per cent of electricity supplied in 2002-2003. The level for 2005-2006 was 5.5 per cent and for 2006-2007 it is 6.7 per cent. The level reaches 15.4 per cent in 2015-2016 and remains at this level until 2026/2027. In Northern Ireland, the level started at 2.5 per cent in 2005-2006 and reaches 6.3 per cent in 2012-2013. It remains at this level until 2026-2027.

2. All renewable generators apply to Ofgem for accreditation that their electricity is generated from eligible renewable sources. These generators are 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 levels, 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.
4. The buy-out fund and the late payment funds have been redistributed this year using the single recycling mechanism. The buy-out funds have been redistributed to suppliers in proportion to the total number of ROCs that each has presented across the three obligations.
5. If there is a shortfall in the England & Wales or the Scotland buy-out fund over a certain amount, all suppliers that met their obligation are required to make a second payment to make good the shortfall, known as "mutualisation". Payments are required in proportion to each supplier's obligation compared with the total obligation. The trigger for mutualisation in the 2005/06 obligation period is a shortfall of £5.5m in the England & Wales fund and/or £550,000 in the Scotland fund.
6. The three buy-out funds and late payment funds have been recycled to suppliers in the following way:

Supplier	Percentage of each buy-out fund
BizzEnergy Limited	0.2725245353473%
British Energy Direct Ltd	4.8104879973213%
British Gas Trading Ltd	15.7035931061381%
Electricity Direct (UK) Ltd	0.0756680059305%
London Energy Plc	12.5999931237448%
Seaboard Energy Ltd	2.7848395653594%
Gaz de France Marketing Ltd	1.2771731612605%
Good Energy Ltd	0.0384398725863%
Opus Energy	0.1060417829590%
Economy Power	0.1798775807582%
E.ON UK Plc	8.0421892565885%
Powergen Retail Ltd	13.1686565103939%
The Renewable Energy Company Ltd	0.0565867626831%
Npower Ltd	7.6873613480147%
Npower Direct Ltd	0.8624298569045%
Npower Yorkshire Ltd	0.7805279635474%
Npower Northern Ltd	1.4849572427589%
SSE Energy Supply Ltd	18.3658353186513%
Scottish Power Energy Retail Ltd	10.4677846348106%

Slough Energy Supplies Ltd	0.1023846663304%
Smartestenergy Ltd	0.0796171079186%
Total Gas & Power Ltd	0.7400514930781%
Tradelink Solutions Ltd	0.0115407213367%
Airtricity Supply Ltd	0.0436883094245%
ESB Independent Energy	0.2574580907939%
Npower Ltd (NI)	0.0002846857256%
Tradelink Solutions Ltd (NI)	0.0000072996340%

7. 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. The Authority's functions are set out mainly in the Gas Act 1986, the Electricity Act 1989, the Competition Act 1998 and the Utilities Act 2000. In this note, the functions of the Authority under all the relevant Acts are, for simplicity, described as the functions of Ofgem.

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