

Information Note

24 August 2010

RENEWABLES OBLIGATION - TOTAL OBLIGATION LEVELS FOR 2009-10

Energy regulator Ofgem has today published information on the amount (in ROCs) of the Renewables Obligation for the 2009-10 obligation period, which finished in March this year.

The Renewables Obligation places an obligation on electricity suppliers to source an increasing portion of the electricity they supply from renewable sources. The obligation levels for 2009-10 are 9.7 ROCs per 100 MWh of electricity supplied to customers in England & Wales and Scotland, and 3.5 ROCs per 100 MWh of electricity supplied to customers in Northern Ireland.

Using these ratios, combined with data from suppliers regarding the amount of electricity supplied in the period, Ofgem has determined that the total Renewables Obligation on electricity supplied to customers across the UK for 2009-10 is 30,155,477 ROCs. On electricity supplied in England & Wales it is 26,994,117 ROCs. On electricity supplied in Scotland it is 2,868,011 ROCs, and on electricity supplied in Northern Ireland it is 293,349 ROCs.

Electricity suppliers must comply with their Renewables Obligations for 2009-10 before 1 September 2010. They can do this by:

- presenting Ofgem with Renewables Obligation Certificates (ROCs) to the full value of their obligation;
- using a buy-out clause which allows them to pay £37.19 per ROC for any shortfall; or
- using a combination of ROCs and buy-out.

- Ends -

Notes to Editors:

1. All licensed electricity suppliers have now submitted their supply data and obligation levels for 2009-10 to Ofgem, which were required to be provided by 1 July 2010 under the requirements of the Renewables Obligation Order 2009, the Renewables Obligation (Scotland) Order 2009, and the Renewables Obligation Order (Northern Ireland) 2009.

2. From 1 April 2009, the obligation changed from a percentage of a supplier's supply to an obligation to present a number of ROCs per MWh of a supplier's supply. The introduction of a banded RO breaks the existing direct link between the level of the Obligation and the actual amount of renewable energy required to meet it. One ROC will not necessarily be equivalent to 1 MWh of renewable electricity. This means that the RO changes from an Obligation to produce evidence that a percentage of electricity supplied to customers comes from renewable sources, to one where suppliers are obliged to present a specified number of ROCs.

3. 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. Up until March 2009, each ROC represented one megawatt hour MWh of electricity; from April 2009 onwards the value of the ROC is “banded” dependent on the generation technology type. The renewable generator can sell ROCs either with or separately from the electricity generated.

4. Ofgem has responsibility for administering the Government’s Renewables Obligation, which started in April 2002 (April 2005 in Northern Ireland). The Obligation requires electricity suppliers to source at least part of their electricity from renewable generators.

5. In England & Wales and Scotland, this obligation started at 3 per cent of electricity supplied in 2002-2003. The obligation for 2009-2010 was 9.7 ROCs per 100 MWh. The obligation reaches 15.4 ROCs per 100 MWh in 2015-2016 and remains at this level until 2026-2027. In the Renewables Obligation (Amendment) Order 2010 and the Renewables Obligation (Scotland) Amendment Order 2010 the possibility of the obligation being capped was removed from the legislation, the obligation may therefore exceed the level set out in Schedule 1 of the 2009 orders depending on the number of ROCs issued and the total amount of electricity supplied under the RO and ROS.

6. In Northern Ireland, this obligation started at 2.5 per cent in 2005-2006, was 3.5 per cent in 2009-10, and reaches 6.3 ROCs per 100 MWh in 2012-2013. It remains at this level until 2026-2027. In the Renewables Obligation (Amendment) Order (Northern Ireland) 2010 the possibility of the obligation being capped was removed from the legislation, the obligation may therefore exceed the level set out in Schedule 1 of the 2009 order depending on the number of ROCs issued and the total amount of electricity supplied under the NIRO.

7. In order to meet their Renewables Obligations, 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 ROC is calculated by Ofgem each year by adjustment to reflect changes in the Retail Prices Index. All buyout payments are redistributed to suppliers who have presented ROCs against their obligation in proportion with the number of ROCs that each has presented.

8. Suppliers provide Ofgem with their total supply 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, it will be in breach of the Electricity Act 1989 and liable to enforcement action.

9. 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 powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002, the Energy Act 2004 as well as arising from directly effective European Community legislation.

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