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i ddefnyddwyr ynni

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Date: 10 October 2025

Dear Stakeholder,

Ofgem costs for administering the Renewables Obligation (RO)

This letter sets out our proposed charges for administration of the RO for the period April 2025 – March 2026. Each year, we publish this letter to set out our forecast costs for administration of the scheme. We recover our administration costs from the RO buyout fund. Further information on our duties and the buy-out fund is published on our website[1] and on page 3 of this letter.

Forecast Costs

Our **forecast cost** for the administration of the RO for **2025-26 is £10,412,743**. This represents an 8% increase on the cost of administration in **2024-25,** which **was £9,665,641** (this is an **actual cost**). In real terms, our administration costs remain stable at around 0.12% of the estimated value[2] of the scheme. Further detail is set out in **Table 1**, in **Appendix 1.**

However, the actual cost to administer the RO last year (2024-25) was lower than originally forecast in-year. This results in the application of a prior year adjustment, which reduces the requirement for 2025-26 by £73,930. Therefore, the costs we are recovering from the buyout fund for 2025-26 are **£10,338,813.** This is 6% more than the costs we recovered from the buyout fund in 2024-25.

[1] Ofgem Renewable Obligation

[2] We have calculated the value of the RO in 2025-26 as £8.7 billion by multiplying the estimated supply of electricity in the UK in 2025-26 (263.7 TWh – from DESNZ prediction available here) by the GB obligation level (0.493 ROCs per MWh) and the buy-out price (£67.06).

Ofgem's administrative costs for the Renewables Obligation are rising due to increased complexity and innovation associated with generator's station changes, expanding operational demands, and strategic investment in IT infrastructure. However, these costs remain a small proportion of the total scheme value and are carefully managed through internal controls and external audits. The organisation's focus on efficiency, compliance, and robust governance is evident in both the composition of budget allocations and operational activities.

The Renewables Obligation is closed to new participants, but support for existing participants continues until 2037. As generating stations age and operational costs rise, generators are engaging in more station updates/innovative changes to maintain viability; thus, requiring Ofgem to process more complex amendments. Ongoing administration requires OFGEM to address increasingly complex issues, including full technical assessments of station plans to make changes while remaining on the scheme, along with compliance and enforcement actions.

In real terms, Ofgem's administration costs remain stable at around 0.12% of the estimated scheme value, which is calculated at £8.7 billion for 2025-26. This is based on a projected UK electricity supply of 263.66 TWh and a GB obligation level of 0.493 ROCs per MWh, with a buy-out price of £67.06 per ROC. Our administration costs were around 0.12% for 2024-25 based on a scheme value of £8.4 billion.

There are several contributing factors for the increase in cost this year:

- Continuing increased RO activity by Ofgem Delivery and Schemes. For example, amendments demand rose significantly in the 2025-26 financial year, with overall volumes increasing by 104% compared to the same period last year. We expect this upward trend to remain, thus staffing costs have increased incrementally to support the volume of work in this space last year and the uptick we are seeing in this current year. Further detail is provided throughout Appendix 1 on specific examples from the various workstreams.
- The Renewable Electricity Register (RER) launched in May 2025, providing a replacement to the R&CHP Register. The system launched as a public beta with a baseline level of functionality. We will continue to build and iterate the system in 25/26, in order to improve the customer journey and increase the system's effectiveness and efficiency, in terms of processing work, and to future proof it through to 2037.
- Ofgem Delivery and Schemes staff costs have increased in line with Civil Service pay awards.

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- Our necessary use of professional and agency services for RO activities have increased in cost for new and existing contracts. For example, we have seen an inflation-linked increase in the cost of professional services related to the RO audit programme. Our audit and compliance work had a heavy focus on biomass-related matters, relative to previous years, and we anticipate this focus continuing.

For a full breakdown of the cost for the administration of the RO for 2025-26 please refer to **Appendix 1**.

We continue to review our processes and activities to improve efficiency and minimise costs where possible. Delivery & Schemes finances are subject to internal governance and budget scrutiny at portfolio and corporate level, and Ofgem's finances are audited by the National Audit Office (NAO).

We do not forecast the cost of our administration of the RO further forward than annually as our budget requirements are heavily dependent on the scale and scope of any amendments to the scheme.

What are the charges paying for?

Our responsibilities under the RO Orders[3] include (but are not limited to):

- Issuing and revoking Renewables Obligation Certificates (ROCs).
- Processing accreditation amendments for generating stations.
- Maintaining and upgrading the IT system used to administer the RO, including the register for receiving and transferring ROCs.
- Auditing generators and suppliers to monitor adherence to the requirements of the Orders.
- Monitoring compliance with sustainability requirements.
- Monitoring and enforcing compliance with the requirements of the RO Orders.
- Monitoring supplier compliance and receiving/redistributing buy-out and late payments.
- Publishing the annual report on the RO.
- Handling enquiries and processing scheme information requests.

[3] The Renewables Obligation Order 2015 (as amended), The Renewables Obligation (Scotland) Order 2009 (as amended) (ROS), The Renewables Obligation (Northern Ireland) Order 2009 (as amended).

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Timing of costs

We intend to recover these costs in October 2025 from the money paid into the buyout fund in respect of the 2024-25 compliance period. As described in legislation, we can only use the RO buyout fund to recycle payments to suppliers who present ROCs for compliance and to cover our administration costs.

We thank stakeholders for their interest in our administration costs and will continue to deliver the RO as effectively and efficiently as possible for all stakeholders and bill payers.

Yours sincerely

Louise Wilks
Director of Strategy & Business Operations

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Appendix 1 - Cost for the Administration of the RO for 2025-26

Table 1

Workstream	2024-25 Forecast	2025-26 Forecast
IT Development & Support	£2,873,586	£3,266,910
Legal Support	£271,918	£181,155
Amendments[4]	£500,506	£612,790
Audit & Compliance	£2,732,338	£2,595,094
Servicing Participants & Reporting	£1,378,418	£1,709,992
Policy, Enquiries & Stakeholder Engagement	£632,859	£499,448
Overheads	£1,349,946	£1,547,354
Forecast Cost	**£9,739,571**	**£10,412,743**
Prior Year Adjustment	£657,176[5]	(-£73,930)[6]
	£10,396,747	**£10,338,813**

Breakdown of costs for 2025-26

Table 1 shows the breakdown of forecast costs that make up the total for 2025-26[7], along with the breakdown of 2024-25 forecast costs for comparison. The sections below provide a brief explanation behind each component of the budget.

IT Development and Support

These costs include the support, maintenance, and infrastructure costs of our existing IT system. This includes the cost of the R&CHP Register in April and May 2025 (and subsequent support costs during transition) and the development and launch of the Renewable Electricity Register (RER) in May 2025. Following the launch of the system we will develop further features that could not be developed in advance of launch due to time constraints, support to fix system defects, alongside continuous improvement such as improve infrastructure, external features for the user and automation of internal processes. This will allow the system to run more efficiently and improve its usability all of which directly impact stakeholders across England, Scotland, Wales, Northern Ireland, and non-UK scheme participants. Increased investment in the RER, will minimise delays, ensure

[4] Heading updated to reflect changes to the nature of the work. Previously reported as Applications & Amendments
[5] This is an accrual for under forecasting our 2023-24 costs and so this amount needed to be added to the forecast for 2024-25. £9,739,571 + £657,176 = £10,396,747 (this figure can also be found in the RO Cost Letter for 2024-25)
[6] This is prior year adjustment from our 2024-25 costs.
[7] These costs relate to our administration of the RO for England & Wales, Scotland, and Northern Ireland. The Utility Regulator Northern Ireland (UREGNI) has its own costs for administration of the NIRO for 2025-26. These are not included in the listed Ofgem costs but will be recovered from the RO buy-out funds.

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data integrity and improve service quality – particularly for high volume, high impact features.
Investment is essential to meet statutory obligations, maintain operational resilience and uphold stakeholder confidence.

Legal Support

This includes internal legal team support costs as well as external legal costs for advice on the most complex legal issues. It also includes the costs of defending any legal proceedings such as current or anticipated court costs. Legal costs have reduced for 2025-26 due to a change in forecasting methodology.

Assessments (Amendments)

Our operational focus remains on managing amendments submitted by accredited generating stations. These amendments are essential for maintaining compliance and ensuring continued eligibility for ROCs. As generating stations age and operational costs rise, generators continue to seek more efficient ways to maintain and operate their stations, most of which require physical changes to the stations, meaning a steady increase in amendment activity. As a result, amendments demand rose significantly in FY2024-25, with overall volumes increasing by 104% compared to the previous year. We expect to see this trend to continue in this current FY and thus we require additional resource to support amendments activity.

Amendments continue to span a wide range of categories, and we anticipate a particular rise in compliance closures driven by recent significant positive progress being made in resolving compliance cases. Meter amendments are also expected to grow dramatically, due to the phase-out of the 2G mobile network. Many meters on the scheme have used 2G mobile networks as part of remote monitoring systems. These meters will now no longer function and will need to be changed to work with current 4G/5G technology. We expected to receive well over 10,000-meter change amendments in the coming year on the RO, based on advance notifications from generators and agents to date.

Effective management of the Amendments workstream remains critical to minimising disruption for eligible generators. We continue to refine our processes and resourcing strategies to ensure timely and accurate amendment throughout. This includes close coordination with audit and compliance teams and proactive planning for anticipated surges.

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Audit and Compliance

This workstream covers our participant audit and compliance activities, as well as monitoring suppliers' compliance with their obligations under the RO scheme.

The budget attributed to RO audit has reduced compared with 2024-25 due to the RO statistical audit volumes reducing by 70 sites. This adjustment follows the implementation of error rate estimation allowing us to adjust the programme in response to levels of non-compliance on the scheme.

The budget attributed to compliance has increased from 2024-25 into 2025-26. This is due to:

1. Judicial Review defence - Ofgem is currently defending a JR brought by a renewable generator accredited on the scheme whose level of RO support has been reduced. Funding for defence of the pre-action stage is included here. We are awaiting court confirmation as to whether the case will proceed to full hearing. Should a hearing be granted, further costs relating to the legal challenge will be required and included in the 2026-27 RO Cost Letter.
2. Engineering resource – As the scheme ages, we are seeing an increasing number of station amendments including the replacement of equipment and changes to electrical setups to add new technologies. Decision-making and compliance activity must evolve in response to technological advances and in response to legal challenge. As a result, funding is included for dedicated engineering resource to provide advice on accreditation/amendment decisions, compliance casework and scheme development. For 2025-26, this cost relates to resource in Q4 only.
3. Biomass Assurance and Controls – In alignment with the NAO review into 'The government's support for biomass', Ofgem has undertaken work to review and further develop our RO assurance framework that monitors participant compliance with the relevant RO sustainability rules. Further to this, following the outcome of our investigation into Drax Power Limited's (Drax) sustainability profiling submissions, additional assurance measures have been taken to oversee the independent audit that Drax is commissioning as part of the Alternative Action agreement[8]. Subsequently this has resulted in increased funding to support the delivery of these activities.

[8] Appointment of Independent Auditor to Drax | Ofgem

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Servicing Participants and Reporting

The overall costs in this category have seen an increase since 2024-25. This is partly due to the way we categorise and present different costs following internal structural changes, as well as some increases in resourcing needs and senior management capacity.

This wide-ranging category covers:

- The operational costs associated with processing generator's output data for ROC claims;
- The assessment of fuelling and sustainability (F&S) data & audit reports submitted by generators, to evidence their compliance with the sustainability requirements on the RO, in order to remain eligible for ROC issuance;
- Additionally, this category also includes essential business support activities, such as risk and assurance, strategy, business planning, freedom of information (FOI) and management and data reporting. This area has seen an increase in costs as a result of an increase in necessary business activities, as well as the aforementioned change in structure.

The Operations team continues to review and validate ROC claims in advance of issuing certificates, including a significant drive to issue 'banked ROCs' in the run up to the annual compliance deadline. Additionally, as the scheme ages, we are seeing an increasing number of requests to estimate output data, due to aging plant equipment faults. These cases are often complex and resource intensive to understand whether these claims are acceptable.

Additionally, we have seen some growth in the fuelling and sustainability space due to supporting the compliance team in addressing the NAO biomass report and the outcome of Ofgem's investigation into Drax's sustainability profiling submissions. Both of these areas of operations on the RO have required a proportionate amount of resource growth to deal with increased demands and this represents a c.25% operations increase under this category from the previous year.

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Enquiries and Stakeholder Engagement

This workstream covers our interactions with scheme participants and members of the public, as well as our response to emerging issues and policy developments. Costs have increased significantly this year, primarily due to the effort required to deliver stakeholder engagement events and communications related to the RER.

These changes have led to a marked rise in enquiries, which in turn has demanded additional support to manage responses effectively. Training and planning have also been necessary to ensure teams are equipped to provide a high standard of service to scheme participants. In addition, there has been an increase in complaints, further contributing to the overall resource demand.

Policy

There has been a decrease in cost for this workstream due to several factors. This includes elongated timelines on new policy changes which has resulted in deferred policy development activities reducing immediate resource requirements and associated expenditure.

Overheads

As part of meeting its obligations, Delivery and Schemes rely on corporate services, such as Finance, HR, Data and Digital Services, Estates, Cyber, Communications and the Gas and Electricity Markets Authority (GEMA) Executive board and governance functions, to help overall management and delivery.

Cost recharges are done according to a pre agreed FTE allocation methodology for shared platform services, and direct charges where costs are directly attributable.

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