

**R/44**

12 September 2006

## **RENEWABLES OBLIGATION - 1 APRIL 2005 to 31 MARCH 2006**

Energy regulator Ofgem has today, 12 September, published information on the size of the Renewables Obligation for the fourth period of the scheme, which finished in March this year.

The Renewables Obligation sets targets for electricity suppliers to source an increasing portion of the electricity they sell from renewables. According to information received to date from suppliers, the total Renewables Obligation on electricity supplied to customers across the UK is 18,020,282 MWh. On electricity supplied in England & Wales it is 16,163,284 MWh, on electricity supplied in Scotland it is 1,648,679 MWh and on electricity supplied in Northern Ireland is 208,319 MWh.

Electricity suppliers must comply with their Renewables Obligations for 2005-2006 before 1<sup>st</sup> October 2006. They can do this by either producing to Ofgem Renewables Obligation Certificates (ROCs) to the value of 5.5 per cent of electricity supplied to customers, by using a buy-out clause which allows them to pay £32.33 per MWh for any shortfall or by using a combination of ROCs and buy-out.

Four suppliers went into administration during the 2005-2006 obligation period – Eledor Limited, The Team Group of Companies Limited, Utility Link Limited and Zest4 Electricity Limited. To date we have received sufficient information on electricity supplied from two administrators, and this information is included in the total size of the Renewables Obligation for England & Wales and Scotland. We are continuing to work with the administrators of the other companies to obtain the necessary information on which to confirm their obligations and will issue a further information note about this in due course.

**- Ends -**

### **Notes**

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 target for electricity suppliers to source at least part of their electricity from renewable generators. In England & Wales and Scotland, this target started at 3 per cent of electricity supplied in 2002-2003. The target for 2005-2006 was 5.5 per cent and for 2006-2007 it is 6.7 per cent. The target reaches 15.4 per cent in 2015-2016 and remains at this level until 2026/2027. In Northern Ireland, the target started at 2.5 per cent in 2005-2006 and reaches 6.3 per cent in 2015-2016. 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 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.
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 1989 and liable to enforcement action.
5. 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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