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Friday August 10 2007

RENEWABLES OBLIGATION - 1 APRIL 2006 to 31 MARCH 2007

Energy regulator Ofgem has today (Friday) published information on the size of the Renewables Obligation for the 2006-07 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 sell from renewables. According to information received to date from suppliers, the total Renewables Obligation on electricity supplied to customers across the UK is 21,629,676 megawatt hours (MWh). On electricity supplied in England and Wales it is 19,390,016 MWh, on electricity supplied in Scotland it is 2,022,791 MWh and on electricity supplied in Northern Ireland it is 216,869 MWh.

Electricity suppliers must comply with their obligation for 2006-2007 before 1st September 2007. They can do this by either presenting Ofgem with Renewables Obligation Certificates (ROCs) to the value of 6.7 per cent of electricity supplied to customers, by using a buy-out clause which allows them to pay £33.24 per MWh for any shortfall. They can also use a combination of ROCs and buy-out.

- 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 requires electricity suppliers to source at least part of their electricity from renewable generators. In England and Wales and Scotland, this obligation started at 3 per cent of electricity supplied in 2002-2003. The obligation for 2006-2007 was 6.7 per cent and for 2007-2008 it is 7.9 per cent. The obligation reaches 15.4 per cent in 2015-2016 and remains at this level until 2026-2027. In Northern Ireland, the obligation 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 their obligation, 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, it 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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