



*Promoting choice and
value for all customers*

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Your Ref:
Our Ref: EP/RO/REV/2
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Date 11 December 2007

Dear James,

Statutory consultation on amending the Renewables Obligation Scotland Order 2008

Ofgem welcomes the opportunity to respond to the Scottish Executive's statutory consultation to amend the Renewables Obligation (Scotland) Order 2008.

Ofgem's principal objective is to protect the interests of consumers, where appropriate by promoting effective competition. In addition, we are responsible for administering the Renewables Obligation Scotland on behalf of the Scottish Executive, the Renewables Obligation on behalf of the BERR, and the Northern Ireland Renewables Obligation on behalf of the NIAUR.

Our response to the statutory consultation, in December 2006, explained that the policy which the Scottish Executive has pursued with regards to including a Marine Supply Obligation within the Renewables Obligation will have the effect of increasing costs to customers. As such, we welcome the proposals to set the level of the Marine Supply Obligation to zero for the 2008-09 obligation period.

We are aware that it is Government's intention to introduce a banded Renewables Obligation from 1 April 2009. It will cause us significant administrative difficulties to run the Marine Supply Obligation alongside a banded Renewables Obligation and, for this reason, we encourage the Scottish Executive to switch off the Marine Supply Obligation at the earliest possible opportunity. We would also like to see a banded Renewables Obligation operating on a consistent basis across the UK.

As you are aware, we do not think that the Renewables Obligation or the Government's proposed changes to it will deliver carbon abatement at the lowest cost. We presented our analysis on this and set out our thinking on alternative support mechanisms in our response to BERR's consultation on the reform of the Renewables Obligation¹. Please read this in conjunction with our response to this consultation.

Yours sincerely,

Roy Field
Chief Operating Officer

¹ This is available on our website at www.ofgem.gov.uk