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RENEWABLES OBLIGATION - INTERIM TOTAL OBLIGATION LEVELS FOR 2007-08

Energy regulator Ofgem has today (Tuesday) published interim information on the size of the Renewables Obligation for the 2007-08 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 renewable sources. According to information received to date from suppliers, the total Renewables Obligation on electricity supplied to customers across the UK is 25,477,265 MWh. On electricity supplied in England & Wales it is 22,784,988 MWh, on electricity supplied in Scotland it is 2,456,216 MWh and on electricity supplied in Northern Ireland it is 236,061 MWh.

Electricity suppliers must comply with their Renewables Obligations for 2007-2008 before 1st September 2008. They can do this by either presenting Ofgem with Renewables Obligation Certificates (ROCs) to the value of 7.9 per cent of electricity supplied to customers, by using a buy-out clause which allows them to pay £34.30 per MWh for any shortfall or by using a combination of ROCs and buy-out.

- Ends -

Notes

1. Four licensed electricity suppliers have not yet submitted their sales data and obligation levels for 2007-08 to Ofgem, which were required to be provided by 1 July 2008 under the requirements of the Renewables Obligation Order 2006 and the Renewables Obligation (Scotland) Order 2006. These suppliers are Utilita Electricity Ltd., Spark Energy Supply Ltd., and Crowthorne Electricity Supply Ltd. (these three licenses are held by Utilita Electricity Ltd.), and RS Energy Ltd.
2. As a result of this, the interim figures provided above on the total Renewables Obligations for 2007-08 may increase slightly. Preliminary indications are that around 22,000 MWh of electricity may have been supplied in Great Britain under these four licenses, which would equate to an additional Renewables Obligation of around 1,700 MWh. However, Ofgem has not been formally notified of the sales made under these licenses and therefore these figures are subject to change and have not been included in the interim total Obligation levels for England & Wales and Scotland provided above. For clarity, these suppliers do not hold licenses for Northern Ireland, so the total Obligation level for Northern Ireland provided above is final and not subject to change.
3. 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 & Wales and Scotland, this obligation started at 3 per cent of electricity supplied in 2002-2003. The obligation for 2007-2008 was 7.9 per cent and for 2008-2009 it is 9.1 per cent. The obligation reaches 15.4 per cent in 2015-2016 and remains at this level until 2026-2027. In Northern Ireland, this obligation started at 2.5 per cent in 2005-2006, was 2.8 per cent in 2007-08, and reaches 6.3 per cent in 2015-2016. It remains at this level until 2026-2027.
4. 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.

5. 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 megawatt hour of electricity 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.
6. 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.
7. 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.

For further information contact:

Matthew Harnack: ph 0207 901 7218