

18 August 2009

RENEWABLES OBLIGATION - TOTAL OBLIGATION LEVELS FOR 2008-09

Energy regulator Ofgem today publishes information on the amount (in MWh) of the Renewables Obligation for the 2008-09 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. The obligation levels for 2008-09 are 9.1 per cent of electricity supplied to customers in England & Wales and Scotland, and 3.0 per cent of electricity supplied to customers in Northern Ireland.

Using these percentages, combined with sales data from suppliers, Ofgem has determined that the total Renewables Obligation on electricity supplied to customers across the UK for 2008-09 is 28,975,678 MWh. On electricity supplied in England & Wales it is 25,946,816 MWh, on electricity supplied in Scotland it is 2,772,828 MWh and on electricity supplied in Northern Ireland it is 256,034 MWh.

Electricity suppliers must comply with their Renewables Obligations for 2008-2009 before 1 September 2009. They can do this by either:

- presenting Ofgem with Renewables Obligation Certificates (ROCs) to the full value of their obligation;
- using a buy-out clause which allows them to pay £35.76 per MWh for any shortfall; or
- using a combination of ROCs and buy-out.

- Ends -

Notes

1. All licensed electricity suppliers have now submitted their sales data and obligation levels for 2008-09 to Ofgem, which were required to be provided by 1 July 2009 under the requirements of the Renewables Obligation Order 2006, the Renewables Obligation (Scotland) Order 2007, and the Renewables Obligation Order (Northern Ireland) 2007.

2. From 1 April 2009, the obligation changed from a percentage of a supplier's sales to an obligation to present a number of ROCs per MWh of a supplier's sales. The introduction of a banded RO breaks the existing direct link between the level of the Obligation and the actual amount of renewable energy required to meet it. One ROC will not necessarily be equivalent to 1 MWh of renewable electricity. This means that the RO changes from an Obligation to produce evidence that a percentage of electricity supplied to customers comes from renewable sources, to one where suppliers are obliged to present a specified number of ROCs.
3. 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. Up until March 2009, each ROC represents one megawatt hour MWh of electricity; from April 2009 onwards the value of the ROC is "banded" dependent on the generation technology type. The renewable generator can sell ROCs either with or separately from the electricity generated.
4. 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 2008-2009 was 9.1 per cent and for 2009-2010 it is 9.7 ROCs per 100 MWh. The obligation reaches 15.4 ROCs per 100 MWh 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 3.0 per cent in 2008-09, and reaches 6.3 ROCs per 100 MWh in 2012-2013. It remains at this level until 2026-2027.
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 (or from 2009-10 buy-out price per ROC) 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 the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. The Authority's powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002, the Energy Act 2004 as well as arising from directly effective European Community legislation.

**For further press information contact:
Alison Wright 020 7901 7217 / 07771 980297**

**Non-press enquiries contact:
Keith Duncan 020 7901 7404**