

5 OCTOBER 2011

THE RENEWABLES OBLIGATION BUY-OUT FUND (2010-2011)

Figures showing the total amount of Renewables Obligation Certificates (ROCs) presented to Ofgem and the size of the buy-out fund for the 2010-11 obligation period have been published today.

For this ninth year of the scheme, the total Renewables Obligation (RO) for electricity supplied to customers across the UK was 34,749,941 ROCs. The deadline for submission of ROCs for compliance was September 1st 2011 and for payments to the buy-out fund, 31st August 2011. The distribution across the three schemes is shown in the table below.

	Total obligation (ROCs)	ROCs produced by suppliers	Buy-out payments made by suppliers
England and Wales (RO)	31,165,241	22,091,017	£335,012,067.72
Scotland (ROS)	3,229,941	2,611,143	£22,830,930.81
Northern Ireland (NIRO)	354,759	267,204	£3,238,659.45
Total	34,749,941	24,969,364	£361,081,657.98

Ofgem and the Northern Ireland Authority for Utility Regulation have recovered their administration costs for the RO scheme from the three buy-out funds. The total values of the buy-out funds (after removal of costs and accrual of interest) due to be redistributed were £331,800,438 for England and Wales, £22,611,671 for Scotland and £3,207,729 for Northern Ireland. Suppliers that fully complied with their Renewables Obligation received their buy-out fund recycle payments on 30 September 2011. The amount paid for each ROC suppliers presented was £14.32.

The combined total buy-out fund (RO, ROS and NIRO) have been recycled to suppliers in the following proportions:

Licence	% of total ROCs presented
Airtricity Energy Supply Limited	0.20%
British Gas Trading Limited	15.76%
E.ON Energy Limited	7.98%
E.ON UK Plc	5.68%
EDF Energy Customers Plc	15.92%
Electricity Plus Supply Limited	0.41%
ESB Independent Energy NI Limited	0.24%

Gazprom Marketing & Trading Retail Limited	0.26%
GDF Suez Marketing Limited	5.05%
Good Energy Limited	0.06%
Haven Power Limited	0.83%
IPM Energy Retail Limited	0.16%
NIE Energy Limited	0.36%
Npower Direct Limited	0.75%
Npower Limited	9.94%
Npower Northern Supply Limited	2.16%
Npower Yorkshire Supply Limited	0.46%
Opus Energy (Corporate) Limited	0.25%
Opus Energy Limited	0.52%
Quinn Energy Supply Limited	0.02%
Scottish Power Energy Retail Limited	8.03%
SmartestEnergy Limited	0.84%
SSE Energy Supply Limited	22.49%
Statkraft Markets GmbH	0.00%
The Co-operative Energy Limited	0.00%
The Renewable Energy Company Limited	0.12%
Total Gas & Power Limited	1.26%
Viridian Energy Supply Limited	0.25%

There was a shortfall of £701,885 in the England and Wales and Scotland buy-out funds as three suppliers have not yet fully complied with their obligations. These three suppliers opted to make late payments (with interest) and will do so on or before 31 October 2011. Late payment funds are expected to be redistributed in November 2011.

Ends

Background information:

1. 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. The renewable generator can sell ROCs either with or separately from the electricity generated.
2. The introduction of banding in April 2009 changed the obligation from being a percentage of a supplier's supply to an obligation to present a number of ROCs per MWh of a supplier's supply. This broke the direct link between the level of the Obligation and the actual amount of renewable energy required to meet it; one ROC is not necessarily equivalent to 1 MWh of renewable electricity.
3. The Renewables Obligation started in April 2002 (April 2005 in Northern Ireland). The obligation levels are set out on a yearly basis in Schedule 1 of the Order; in England, Wales and Scotland this obligation started at 3 per cent of electricity supplied in 2002-2003. The Renewables Obligation (Amendment) Order 2010 (including the Scotland and Northern Ireland equivalents) removed from the legislation the possibility of the obligation being capped, the obligation may therefore exceed the levels set out in Schedule 1 of the 2009 orders. The calculation to set the obligation is performed by DECC and takes into account the number of ROCs issued and the total amount of electricity supplied under the RO and ROS. The 2010-2011 obligation was the first time the obligation level (11.1 and 4.27 ROCs per 100 MWh in England and Wales and Northern Ireland respectively) exceeded that of Schedule 1, similarly for 2011-2012 the obligation has exceeded Schedule 1 and is 12.4 and 5.5 ROCs per 100 MWh in England and Wales and Northern Ireland respectively.
4. In order to meet their Renewables Obligations, suppliers can present Ofgem with enough ROCs or make buy-out payments 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 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.
5. The buy-out fund and the late payment funds are redistributed using the single recycling mechanism. The buy-out funds have been redistributed to suppliers in proportion to the total number of ROCs that each has presented across the three obligations.
6. 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. In this note, the functions of the Authority under all the relevant Acts are, for simplicity, described as the functions of Ofgem.

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