

# Information Note

**9 FEBRUARY 2012**

## **THE RENEWABLES OBLIGATION BUY-OUT PRICE AND MUTUALISATION CEILING 2012-13**

Ofgem has today announced the buy-out price and mutualisation ceilings for the Renewables Obligation for the 2012-13 compliance period. The buy-out price and the mutualisation ceiling are updated annually to reflect changes in the Retail Prices Index<sup>1</sup>.

The buy-out price is the amount which suppliers must pay for each Renewables Obligation Certificate (ROC) they do not present towards compliance with their total Renewables Obligation. The buy-out price for the 2012-13 Obligation is £40.71 per ROC.

Mutualisation is a provision that is triggered if there is a 'relevant shortfall' in the buy-out fund as a result of a supplier(s) not being able to meet its obligation (for example due to insolvency). All suppliers that have met their obligation are required to make additional payments to make good the shortfall, up to the level of the mutualisation ceiling. The mutualisation ceiling for the 2012-13 Obligation will be £245,212,161.70 in England and Wales, and £24,521,216.16 in Scotland.

Ends

### **Notes to editors**

1. Ofgem is responsible for administering the Renewables Obligation (RO), which started in April 2002 (April 2005 in Northern Ireland). The obligation is on electricity suppliers to source a proportion of their electricity from renewable generation. The Department of Energy and Climate Change (DECC) set the level of the obligation in accordance with provisions in the Renewable Obligation Orders<sup>2</sup>. Table (1) provides the obligation level and buy-out price for each year of the RO to date.

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<sup>1</sup> RPI from the Office of National Statistics (<http://www.ons.gov.uk>)

<sup>2</sup> The Renewables Obligation Order 2009 (as amended), Renewables Obligation (Scotland) 2009 (as amended) and Renewables Obligation (Northern Ireland) 2009 (as amended).

Table (1)

Obligation period (1st April - 31st March)	Buy-out price	Obligation for England & Wales and Scotland (ROCs per MWh of electricity supplied)	Obligation for Northern Ireland (ROCs per MWh of electricity supplied)
2002-2003	£30.00	0.030	
2003-2004	£30.51	0.043	
2004-2005	£31.39	0.049	
2005-2006	£32.33	0.055	0.025
2006-2007	£33.24	0.067	0.026
2007-2008	£34.30	0.079	0.028
2008-2009	£35.76	0.091	0.030
2009-2010	£37.19	0.097	0.035
2010-2011	£36.99	0.111	0.0427
2011-2012	£38.69	0.124	0.055
2012-2013	£40.71	0.158	0.081

2. Ofgem are required to issue ROCs to accredited generating stations that have generated electricity from eligible sources. The introduction of 'banding' in 2009 resulted in different support levels for different renewable technologies; consequently one ROC no longer necessarily represents one MWh of renewable generation.

3. Suppliers can meet their obligation by presenting ROCs, making a buy-out payment to cover any shortfall in the number of ROCs presented, or by a combination of both.

4. If there is a shortfall in the England & Wales or the Scotland buy-out fund over a certain amount, a 'relevant shortfall', all suppliers that met their obligation are required to make a payment to make good this shortfall, known as mutualisation. For England & Wales the 'relevant shortfall' level is set by the Department of Energy and Climate Change. The level for Scotland is set by the Scottish Executive.

5. Northern Ireland suppliers are not required to make payments in the event of mutualisation being triggered. They will, however, receive a portion of the redistribution of the mutualisation fund.

6. The mutualisation provisions in the RO have not been triggered to date.

**For press information contact: Chris Lock 020 7901 7225**

**Non-press enquiries contact: Annie Gibbons 020 7901 0523**