



Making a positive difference
for energy consumers

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Dear Stakeholder,

Ofgem's costs for administering the Renewables Obligation

On 18 August 2017 we published a [letter](#) on our website setting out an estimation of our costs for administering the Renewables Obligation for the period April 2017 – March 2018. In the interests of transparency we are now publishing a revised forecast as we predict that our administration costs will be higher than originally anticipated.

Forecast costs

Further to a review of the RO administration activity we now predict that additional resource is required to process the large influx of applications we received in early 2017, many of which are complex and require us to consider novel scenarios. In total an additional £200,000 will be withdrawn from the buy-out fund prior to redistributing the remaining sum amongst eligible suppliers.

Our revised forecast cost for the administration of the RO for 2017-18 has therefore increased from **£3,991,814** to **£4,191,814**. A breakdown of the costs is set out in Table 1 below.

Table 1

Category	2017-18 (original estimate)	2017-18 (revised)
IT (Development)	£571,563	£571,563
IT (Ongoing)	£295,944	£295,944
Legal Support	£148,548	£148,548
RO Operations Team	£2,271,406	£2,471,406
Overheads	£482,628	£482,628
	£3,770,089	£3,970,089
Legislative Change	£221,725	£221,725
Prior Year Adjustment		
	£3,991,814	£4,191,814

Additional Legal Costs

A position we have taken in respect of our administration of the NIRO has been challenged and we are currently incurring legal costs associated with our defence of this position. Consequently, an additional £200,000 will be withdrawn from the buy-out fund to meet these costs¹.

Timing of costs

We will recover these costs from the buy-out fund before we redistribute the remaining sum to eligible suppliers.

Timing of redistribution

We aim to redistribute the remaining buy-out fund to eligible suppliers on **12 October 2017**.

Yours sincerely,



Richard Bellingham
Head of Compliance, Renewable Electricity
Ofgem

¹ We administer the NIRO on behalf of NIAUR under an ASA. NIAUR ultimately bear the costs of any legal challenge made in respect of the NIRO. The £200,000 to be withdrawn from the buy-out fund will be used to compensate NIAUR for these costs.