



Making a positive difference
for energy consumers

All interested parties in relation
to the Renewables Obligation
Annual Report

Email: REDevelopment@ofgem.gov.uk

Date: 16 December 2020

Dear Stakeholder

Decision on proposed changes to the format of the Renewables Obligation (RO) Annual Report

We are writing to inform you that we have considered the responses to changes we proposed to make to the Renewables Obligation (RO) Annual Report for the 2019-20 obligation period and subsequent periods.

This document outlines the changes we have decided to make to the proposed format and information contained within the RO Annual Report. The changes will be applied to the 2019/20 RO Annual Report, which is due for publication by 1 April 2021.

Publication of this decision document follows a four-week comment period published on 8 October 2020 and closed for comment on 6 November 2020. Respondents' views on the proposed changes and our decisions are set out below in Annex 1. A table of the additional alterations that we will make to the RO Annual Report is available in Annex 2.

Yours sincerely,

RO Policy Team

The Office of Gas and Electricity Markets

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Annex 1: Summary of responses and decisions

In total we received 4 formal responses to our consultation. The detail of those answers, and associated decisions we have made are provided below. A number of broader comments were made in response to the consultation which we will not discuss in this document. However, we intend to address those separately with the relevant stakeholder.

Question 1: Do you agree with the changes outlined in Annex 1?

- 1.1. Most respondents agreed that the changes set out in the RO Annual report proposal were reasonable.
- 1.2. We received one response from a stakeholder who suggested that the RO Annual Report should be modified to summarise but not remove the information provided in a large number of charts in section 2 and recommended alternative options of presenting the data in section 3.

Decision

- 1.3. On the basis of the responses we have received, we will proceed with the approach outlined in the RO Annual RO Report proposal.
- 1.4. The aim of the proposed changes is to reduce the length and volume of the RO Annual report; therefore, we will be removing information which is accessible in the Public Reports available on the Renewables and CHP Register. We will add general guidance on extracting data using the Public Reports to the RO Annual Report, to help stakeholders with recreating the removed charts or creating new ones.
- 1.5. As the RO Annual Report is directed at the general public it has to read intuitively. To ensure coherent but reader friendly format of the RO Annual Report we avoid using complex charts and figures which could easily be misinterpreted of the information presented.

Question 2: Are there any other improvements that you think we could be made to the report? If so, please explain why the change is needed and the benefits?

- 2.1 Several improvement recommendations were received in response to this question. One respondent suggested that Ofgem should consider publishing a forecast of future RO generation capacity as a part of the RO Annual Report recognising that a number of RO accredited stations will reach the end of their support. This information is currently not included in the RO Annual Report, however, it would

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- allow stakeholders to conduct an analysis and forecast Renewables Obligation Certificate (ROC) prices.
- 2.2 One respondent suggested that the RO Annual Report should be made available and emailed out to interested parties.
- 2.3 Another expressed a need for greater transparency around RO mutualisation, requesting that the “Non-compliance with obligations” and “Enforcement” sections of the RO Annual Report be enhanced to include details of the compliance and enforcement action taken against suppliers. This would act as a deterrent to future non-compliance. As a part of this response, the respondent suggested that information on mutualisation impacts on the end-consumers and not only suppliers should be included.
- 2.4 The respondent also requested that we include information on the ‘reasonable assurance’ that suppliers provide to Ofgem that they will make RO buy-out payments in the late payment period as well as an appendix confirming amounts due by failed suppliers who went into administration and how much of this has been recovered or where claims have been lodged.

Decision

- 2.5 We will not be adding any forecast to the RO Annual Report as the information on the RO generating capacity and the scheme rules is available on our website. We will however, provide a reference in the RO Annual Report to the Public Reports section where the data can be found and general advice on how to use them. Whilst the reports available publically may not disclose information on whether additional capacity has been added we will take this point into consideration while developing new IT Register which will support administration of RO scheme and replace existing Renewables & CHP Register.
- 2.6 As for ROC projections, we feed into a forecast of this for the obligation period ahead published by BEIS on their website 6 months preceding each obligation period¹.
- 2.7 We highly encourage all interested parties to sign up to environmental and social programme news on Ofgem website² to receive our latest communications on selected topics including the RO Annual Report. On request, we can email a copy of this report to external stakeholders.
- 2.8 At the point of publishing the RO Annual Report each year, enforcement action may be ongoing in relation to the obligation year covered in the report, so providing detailed information on enforcement action may not be possible. Where action has

¹ <https://www.gov.uk/government/collections/annual-renewables-obligation-level-calculations>

² <https://www.ofgem.gov.uk/subscribe-our-news-and-communications>

been taken for the obligation year covered in the RO Annual Report, we will include a brief section detailing that action. We will also provide any update for the previous obligation year where steps are taken following the publication of that year's Annual Report. We currently publish information on all enforcement cases on our website. We will also provide a link in the RO Annual Report to direct interested parties to the Enforcement section of our website.

- 2.9 We will not be including any information on potential impacts of the scheme on end consumers. If suppliers are unable to meet their obligation and there is a shortfall of a certain size in the buy-out fund, the mutualisation process might be triggered. Ofgem makes a formal announcement on any shortfall amount and suppliers must make additional payments to make up a relevant shortfall in the buy-out fund.
- 2.10 In relation to suppliers providing reasonable assurances that they can meet their obligations under the RO, any information provided to Ofgem in relation to this point is commercially sensitive and so we will not disclose any further detail on the assurances provided. However, in general, we require documentary evidence such as bank letters/statements evidencing undrawn credit facilities, a bank guarantee, or other access to funds, correspondence from parent companies or investors confirming a willingness to provide equity or other financial support, or alternative documentary evidence that demonstrates that the funds will be available to meet their obligations under the RO. Where robust assurances are not provided, we consider enforcement action. Where a Final Order is consulted on or Provisional Order is made, the reasons for these are published on our website³.
- 2.11 To address the comment about including an appendix on recovering payments from failed suppliers, where a supplier enters administration we will make a claim with administrators of an insolvent company for any scheme payments that are outstanding. Where any payments are received after the compliance processes for the obligation period have been concluded, we will determine the most appropriate action to take in terms of dealing with that payment which may include redistributing that payment and issuing a notice to suppliers and/or on our website.

³ <https://www.ofgem.gov.uk/investigations/>

Annex 2: Changes to the draft 'RO Annual Report'

The table below outlines the additional changes that we will make to the RO Annual Report as a result of comments made during this consultation.

| Changes made | Chapter |
|--|----------------------------------|
| Add general guidance on extracting data using the Public Reports | Appendix |
| Enforcement actions section to be expanded. | Compliance by licensed suppliers |
| Update to include reference to direct readers to the Enforcement section of our website. | Compliance by licensed suppliers |