

Renewables Obligation - an overview of the second year

Ofgem has responsibility for implementing and administering the Government's Renewables Obligation* which came into effect in April 2002.

The Obligation sets a target for electricity suppliers to source at least part of their electricity from renewable generation. The target started at three per cent in 2002-2003 and reaches 10.4 per cent in 2010-2011. The target for 2005-2006 is 5.5 per cent. More information about the Renewables Obligation is available on renewables information site at www.ofgem.gov.uk

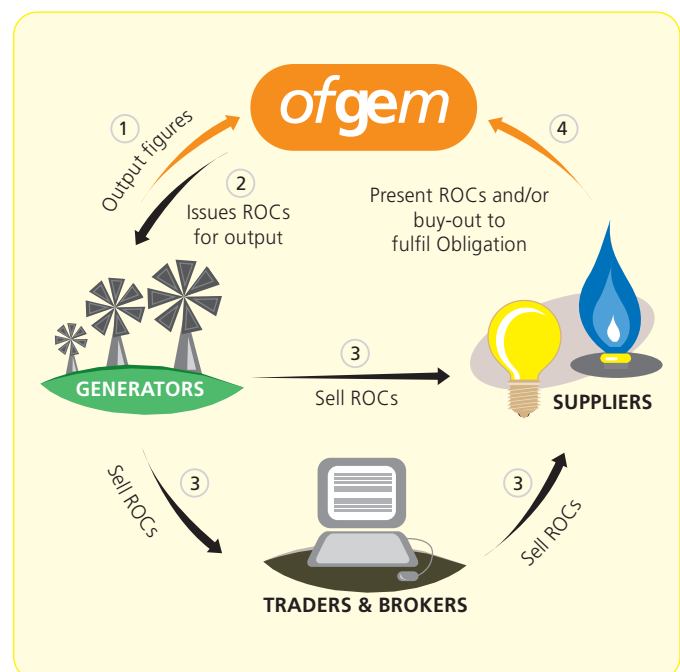
The obligation is a key piece of Government policy which will help the UK meet its targets for generation of electricity from renewables. Electricity generators can apply to Ofgem for accreditation to prove their generation comes from eligible renewable sources.

Ofgem then issues generators with Renewables Obligation Certificates (ROCs) and Scottish Renewables Obligation Certificates (SROCs) for their qualifying output, with each ROC representing one megawatt hour of renewable electricity generated. ROCs may be sold to suppliers (or third parties) either with or separately from the electricity generated.

In order to meet the targets, suppliers can present Ofgem with enough ROCs or use a buy-out clause to make up the shortfall. They can also use a combination of ROCs and buy-out to meet the obligation.

For each year of the obligation, Ofgem calculates the buy-out price, which is adjusted annually to reflect changes in the Retail Prices Index. For the next year, 2005-2006, it is £32.33 per MWh.

Proceeds from the buy-out fund are paid back to suppliers in accordance with how many ROCs they have presented, compared to the total number of ROCs presented for the obligation period.



* Renewables Obligation (RO) and Renewables Obligation Scotland (ROS)

Facts and figures for 2003-2004

Accredited generating stations

Through the scheme, Ofgem assesses whether generating stations are capable of producing electricity from renewable sources. A total of 616 generating stations were accredited by Ofgem by the end of the second year of the scheme, a rise of 111 on the first year.

Figures 1 and 2 compare the number of accredited stations operating throughout Great Britain and the capacity by percentage of these stations. The greater capacities of Scottish and Welsh stations compared to English stations is reflected in the figures below.

Fig 1: a comparison of the number of accredited generating stations by location

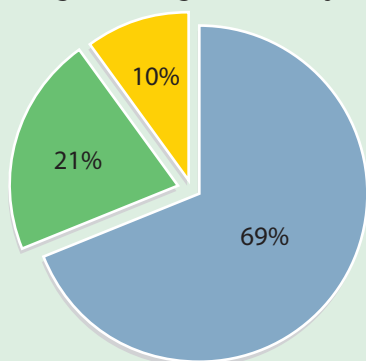
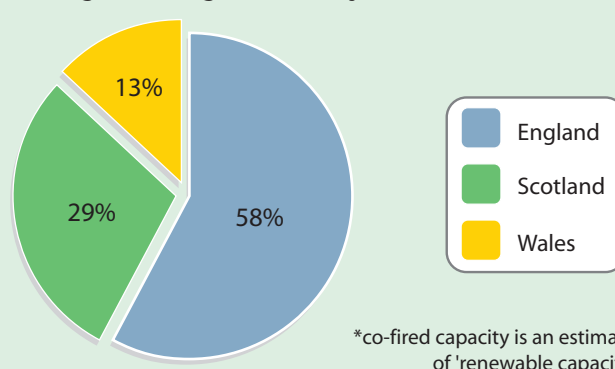


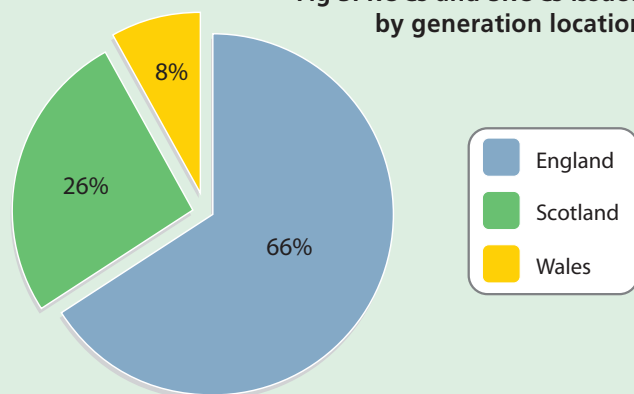
Fig 2: a comparison of the capacity of accredited generating stations by location*



ROCs issued by location

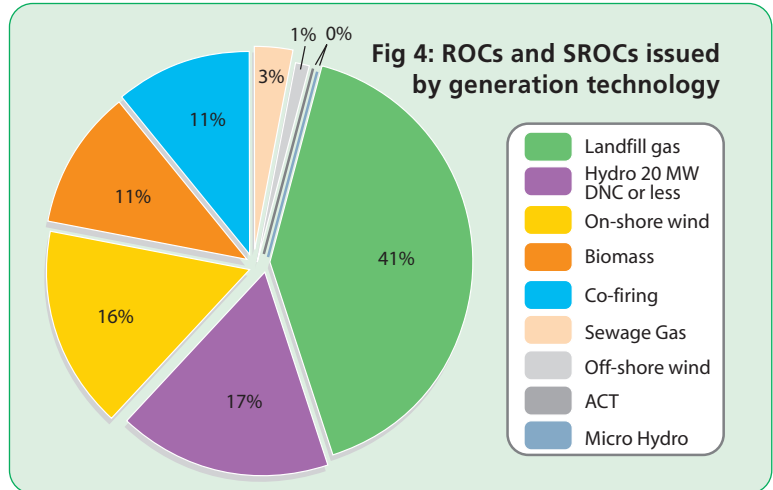
In 2003-2004 a total of 7,546,787 ROCs and SROCs were issued compared with 5,583,560 in 2002-2003. Figure 3 shows that renewable generating stations located in England received two thirds of all ROCs issued in the second obligation period.

Fig 3: ROCs and SROCs issued by generation location



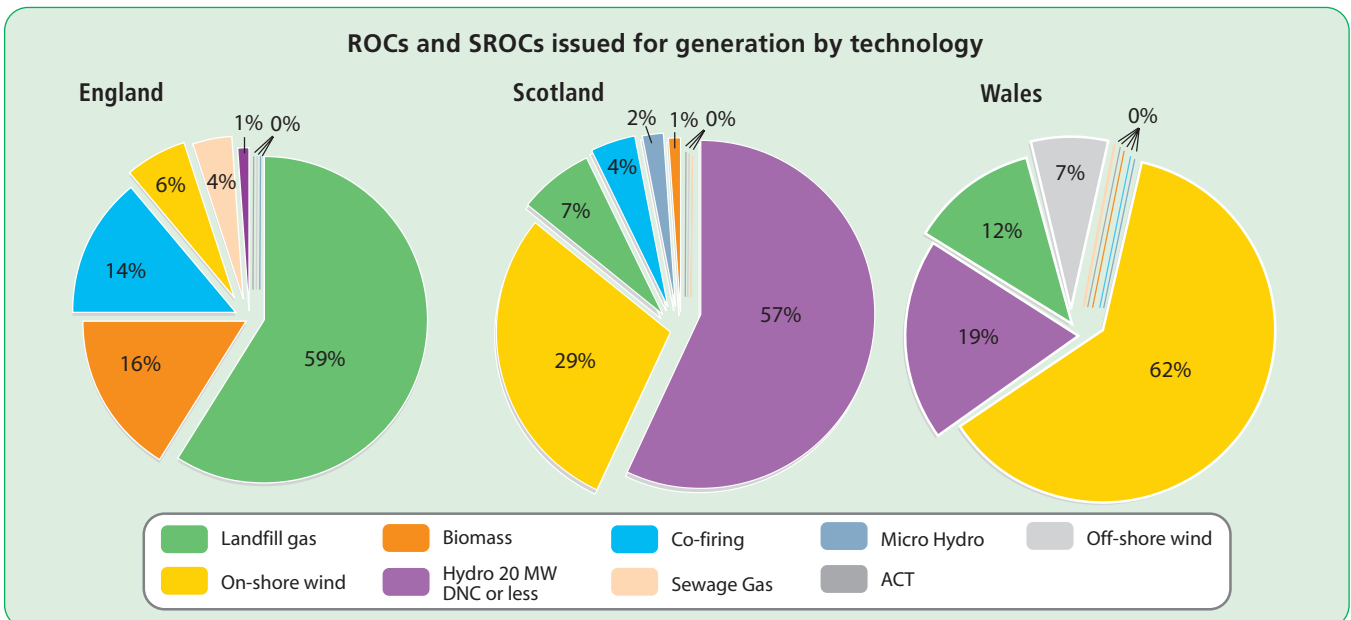
ROCs issued by technology

This chart shows that once again landfill gas still attracted the largest share of the ROCs out of any technology. It attracted over 40 per cent of the ROCs issued with hydro and on-shore wind receiving 17 per cent and 16 per cent respectively.



ROCs issued by technology by location

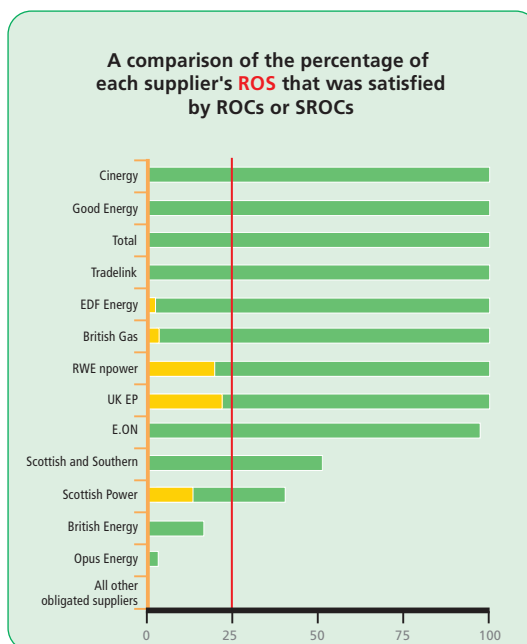
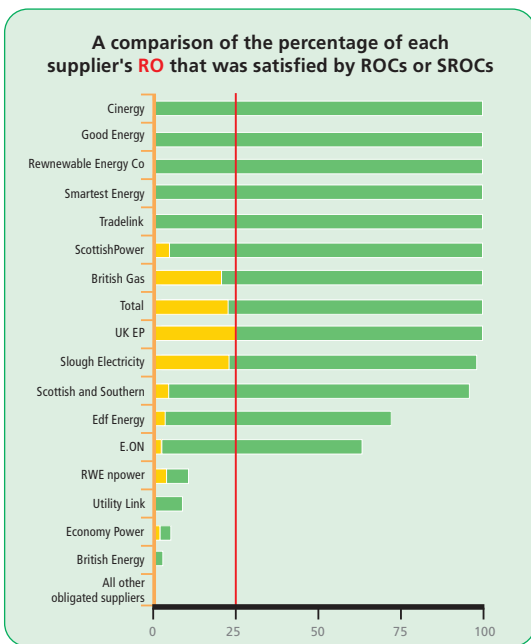
The figures below represent the percentages of ROCs issued by technology for each country in Great Britain. Landfill gas is the dominant technology in England whereas hydro generation is now the main contributor for Scotland. In the first year of the obligation however, on-shore wind was the main technology for Scotland. On-shore wind was the main provider for Wales in the second year of the obligation.



Compliance by electricity suppliers

The total Renewables Obligation across Great Britain was 13,627,412 MWh for the second obligation period, compared with 9,261,568 MWh for 2002-2003.

Of the 40 suppliers in England and Wales who had an obligation, ten met theirs purely through the production of ROCs and 15 suppliers paid 100 per cent buy-out (£30.51/MWh). Of the 29 Scottish suppliers who had an obligation, 17 met it wholly by producing ROCs while five suppliers paid 100 per cent buy-out.

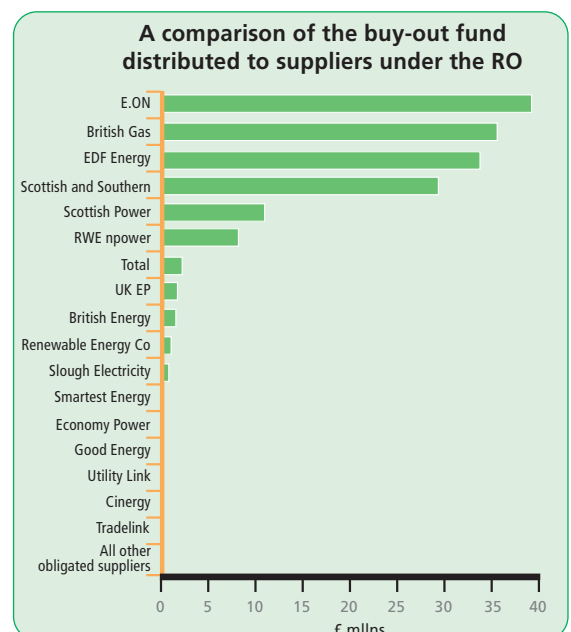
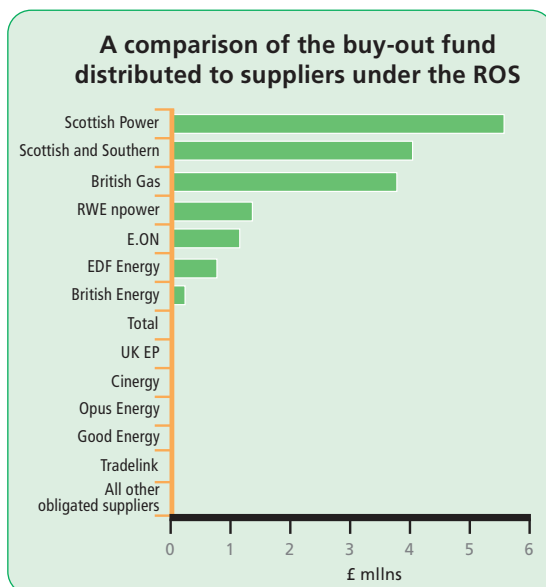


■ Co-fired ROCs/SROCs
■ Other technology ROCs/SROCs
 Suppliers grouped by licence

Buy-out redistribution

The figures below show the buy-out distribution for the RO and ROS.

23 licensed suppliers in England and Wales received buy-out distribution totalling £158,462,320 and 22 Scottish suppliers received buy-out distribution totalling £16,488,755 under the ROS.



To find out more about Ofgem's role in administering the Renewables Obligation contact:

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