

## The Renewables Obligation 2004-2005: Facts and Figures

**Energy regulator Ofgem is responsible for administering one of the Government's key schemes for assisting the growth of the renewable energy industry. The Renewables Obligation, which sets targets for electricity suppliers to source an increasing portion of their electricity from renewable sources, is also helping Britain reduce emissions of harmful greenhouse gases.**

### What is the Renewables Obligation and how does it work?

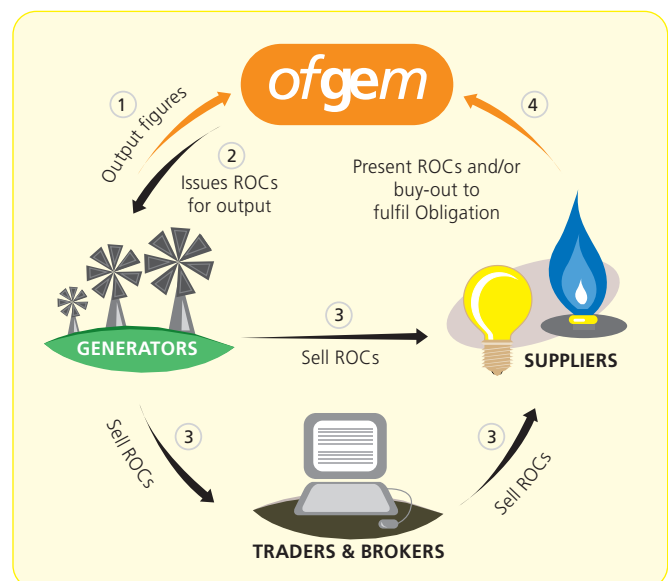
The Renewables Obligation is a statutory requirement on electricity suppliers to source an increasing portion of their electricity from renewable sources. It started in 2002-2003, when they had to source 3 per cent of their power from renewable generation and it currently stands at 5.5 per cent (2005/06). The Obligation continues until 2027, when electricity suppliers will have to ensure 15.4 per cent of their electricity is from renewables.

The renewable electricity used by suppliers to meet their targets comes from a wide variety of sources. It is the Department of Trade and Industry's and the Scottish Executive's role to decide which sources are eligible. They include:

- Onshore and offshore wind power
- Biomass
- Co-firing (the blending of biomass with fossil fuels)
- Landfill and sewage gas, and
- Hydro-electric stations (that have a declared net capacity (DNC) of 20 megawatts (MW) or less. Hydro stations over 20 megawatts are eligible if they were commissioned after 2002).

Electricity generators can apply to Ofgem for accreditation for their scheme 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. Each ROC represents 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 any



shortfall. They can also use a combination of ROCs and buy-out to meet their 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. It currently stands at £32.33 and for the next year of the scheme (2006-2007) it is £33.24 per Megawatt hour (MWh).

Proceeds from the buy-out fund are paid back to suppliers in proportion to how many ROCs they have presented.

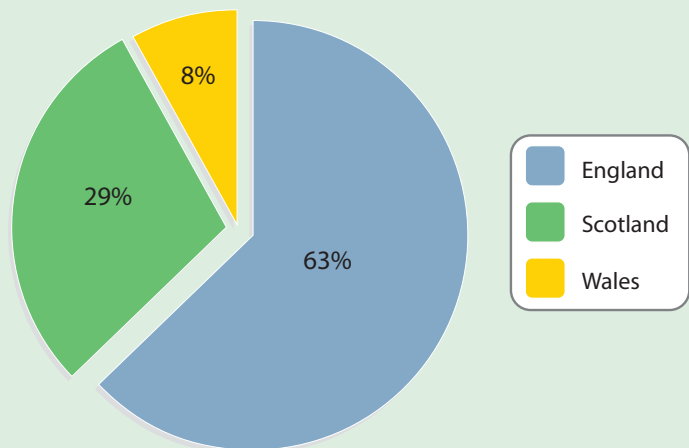
## Facts and figures for 2004-2005

Ofgem accredited 179 generating stations during 2004-2005. 126 of these were commissioned since the introduction of the RO in 2002. There were a total of 788 generating stations accredited for the RO at the end of 2004-2005. This compares with 616 at the end of the second period and 505 at the end of the first year of the scheme.

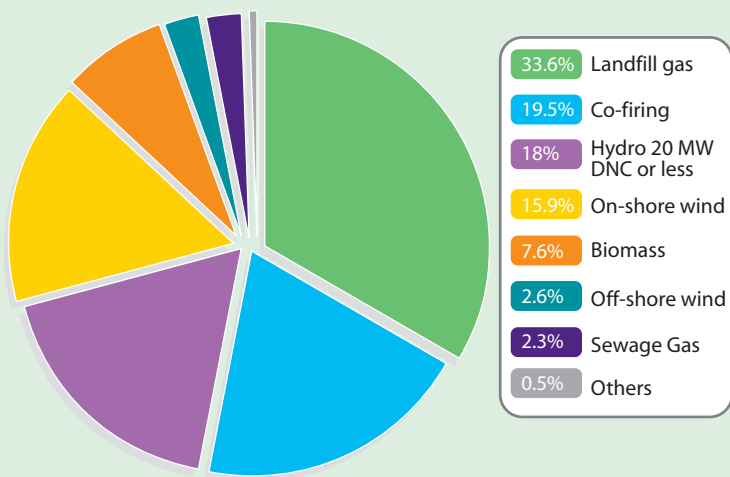
### ROCs issued by location

In 2004-2005 the total number of ROCs and SROCs issued was 10,870,929, compared with 7,553,083 in 2003-2004 and 5,583,560 in 2002-2003. The figure to the right shows that generating stations in England still receive more than 60 per cent of all ROCs issued, although this figure has decreased from 66 per cent in 2003-2004. Scotland's share of ROCs has increased by 3 per cent this year to 29 per cent.

A comparison of the total number of ROCs issued by generation location



A comparison of the total number of ROCs issued by generation technology type



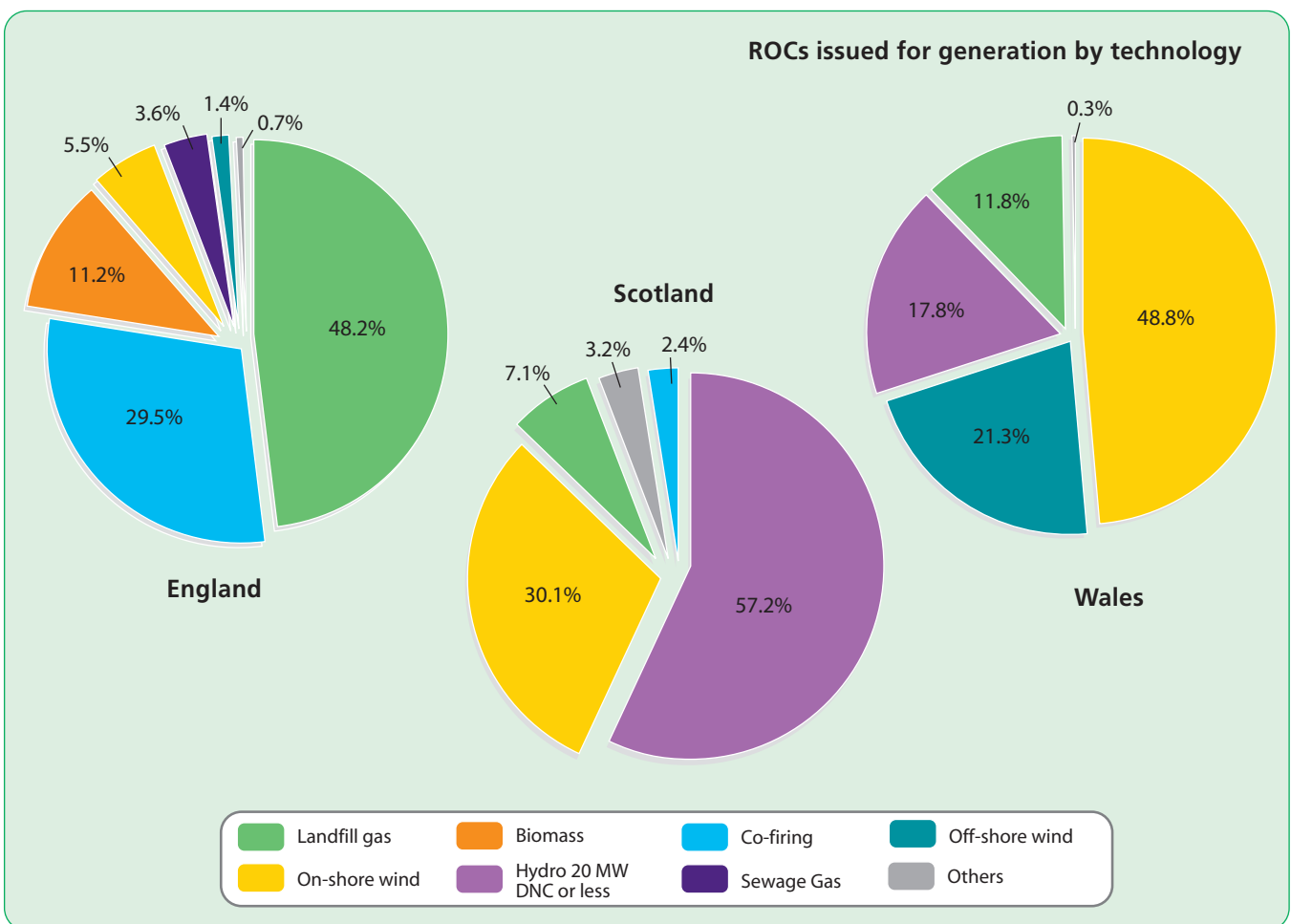
The figure to the left shows that landfill gas generation attracted the largest share of ROCs issued (over 30 per cent). This compares with 41 per cent for 2003-2004.

Hydro generating stations less than 20MW attracted 18 per cent of all ROCs in 2004-2005 compared with 17 per cent in 2003-2004. Onshore wind claimed almost 16 per cent of all ROCs a similar figure to that achieved in 2003-2004. The proportion of ROCs issued to co-firing schemes has also increased from 11 per cent in 2003-2004 to almost 20 per cent in 2004-2005.

## ROCs issued by location and technology

The diagrams below represent the percentages of ROCs issued by technology for each country in Great Britain. Landfill gas is still the dominant technology in England in 2004/05, although there has been a substantial rise in the number of ROCs claimed by co-firing schemes compared with 2003-2004. Hydro generation is also still the main technology that

receives Scottish ROCs, as it was in 2003-2004. While onshore wind is still the dominant technology in Wales, there has been a large rise in the number of ROCs claimed by offshore wind schemes compared with 2003-2004.



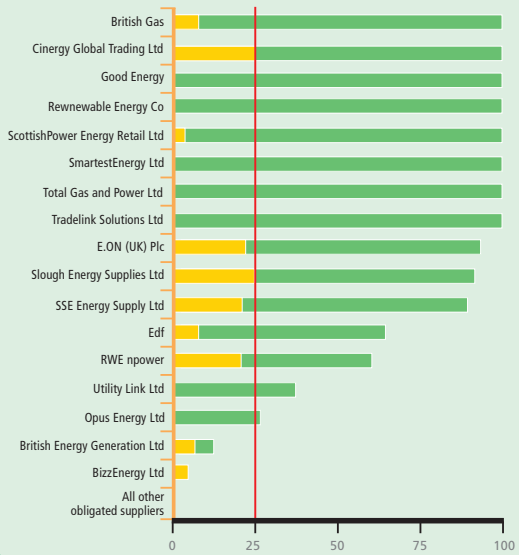
## Compliance by Electricity Suppliers

The total Renewables Obligation in England and Wales in 2004-2005 was 14,315,784 MWh compared with 12,387,720 MWh for 2003-2004. In Scotland, the total size of the Renewables Obligation was 1,445,283 MWh compared with 1,239,692 MWh in 2003/04. The charts overleaf show how suppliers met their obligation (either through presenting 100 per cent ROCs, 100 per cent in buy-out or a combination of both).

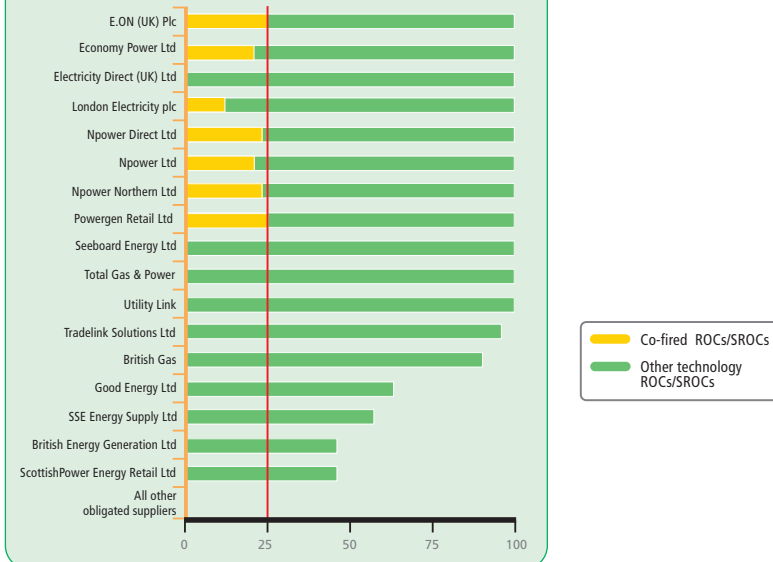
The percentage of the total obligations met by ROCs rose from 56 per cent in 2003-2004 to 69 per cent in 2004-2005. For the first year of the scheme 59 per cent of the obligation was met by ROCs.



**A comparison of the percentage of each supplier's RO that was satisfied by ROCs**



**A comparison of the percentage of each supplier's ROS that was satisfied by SROCs**



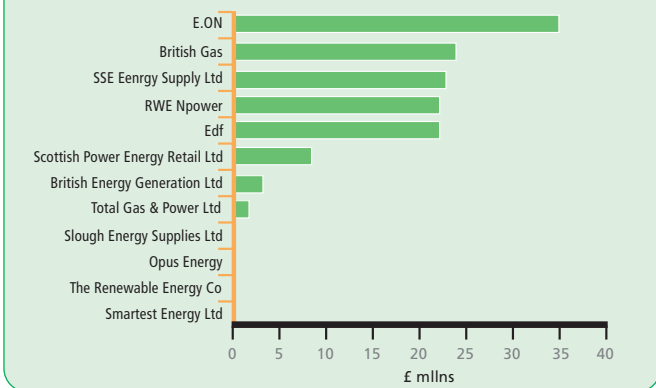
■ Co-fired ROCs/SROCs  
■ Other technology ROCs/SROCs

## Buy-out redistribution

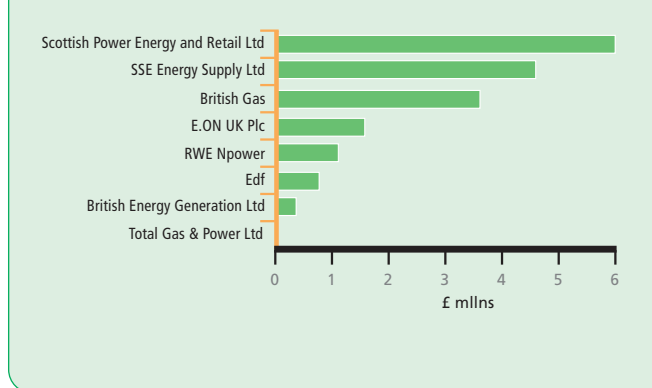
The graphs below show how much of buy out fund was redistributed to electricity suppliers under the Renewables Obligation and the Renewables Obligation Scotland. The total buy-out fund for 2004-2005 was £136,169,929.39 in England and Wales and £17,667,485 in Scotland. This compared with £158,462,320 and £16,488,755 in England and Wales and Scotland respectively in 2003-2004.

23 suppliers received a share of the England and Wales buy-out fund. Of these, SSE Energy Supply Limited received the largest payment of £22,292,68. Both Powergen Retail Limited and British Gas Trading Limited also received payments in excess of £20m. 18 suppliers received a share of the buy-out fund in Scotland. Of these, Scottish Power Energy Retail Limited received the largest payment of £6,034,429.

**A comparison of the amount of buy-out fund redistributed to each supplier group under the RO**



**A comparison of the amount of buy-out fund redistributed to each supplier group under the ROS**



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

Richard Clay	Senior Manager, Renewables	richard.clay@ofgem.gov.uk	020 7901 7264
Yvonne Naughton	Manager, Supplier Compliance (RO) & REGOs	yvonne.naughton@ofgem.gov.uk	0141 331 6006