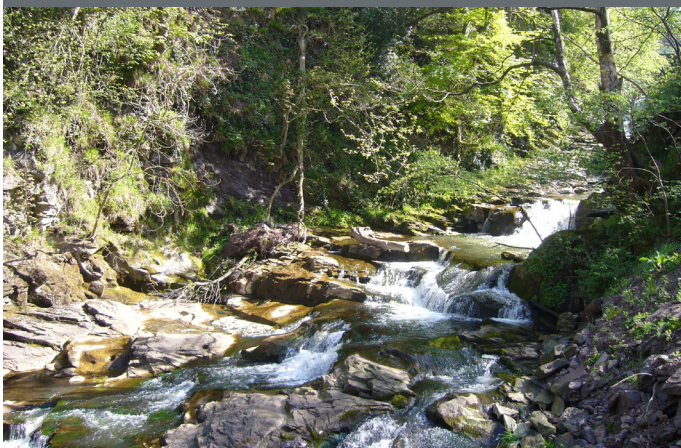


# Microgeneration: Renewables Obligation Fact Sheet



introduction of a revised ROO effective from 1<sup>st</sup> April '09 the ROC awards are now banded according to generator capacity and technology. Therefore all Microgenerators will receive 2 ROCs for every MWh of renewable energy produced. There are two ways for suppliers to obtain ROCs: Either buying ROCs from the market place or by developing their own renewable plant thus generating their own ROCs. Suppliers meet their annual obligation by declaring their ROCs to Ofgem and if the supplier falls short of their obligation they pay the Buy-Out Price for that year.

TradeLink Solutions Ltd (TLS) specialises in providing access to the electricity and renewables market for 'Microgenerators'. Microgenerators are renewable generators with a capacity of 50kW or under. In our experience these installations, intended for domestic and small commercial premises, have found it difficult to organise or obtain prices from the complex electricity market for their electricity and Renewable Obligation Certificates (ROCs). By acting as an Agent for Microgenerators we are able to offer the following:

- Access to market related prices for electricity and ROCs
- Accreditation of a generating site with Ofgem, the government appointed industry regulator
- Annual submission of data to Ofgem and receipt of ROCs for onward sale on behalf of a Microgenerator
- Trading of ROCs and purchasing exported electricity

## What is the Renewables Obligation & what are Renewable Obligation Certificates?

In 2002 the Government introduced the Renewables Obligation Order, (ROO), to encourage the development of renewable energy within the UK to help reduce carbon emissions. The Government appointed Ofgem to oversee the administration of the ROO.

The ROO works by placing an annual obligation on all electricity suppliers in the UK to demonstrate to the Government that they supply a percentage of their electricity from renewable sources. The obligation increases each year as detailed in Table 1. ROCs are awarded to renewable generators who are accredited with Ofgem. With the

OBLIGATION PERIOD	ROCs/MWh of electricity in Great Britain	ROCs/MWh of electricity in N. Ireland
1st Apr 09 - 31st Mar 10	0.097	0.035
1st Apr 10 - 31st Mar 11	0.104	0.040
1st Apr 11 - 31st Mar 12	0.114	0.050
1st Apr 12 - 31st Mar 13	0.124	0.063
1st Apr 13 - 31st Mar 14	0.134	0.063
1st Apr 14 - 31st Mar 15	0.144	0.063
1st Apr 15 - 31st Mar 16 'til 31st Mar 27	0.154	0.063

Table 1. Renewable Obligation in the UK and NI from 2008 to 2027

## How much is a ROC worth? Buy-Out Price & Recycle Value

The Government set the Buy-Out Price of a ROC at £30 in 2002 when the ROO was introduced. This price is the value per MWh that suppliers have to pay to Ofgem for every MWh they are short of their annual obligation targets. (See Table 1). The Buy-Out Price increases each year with inflation. For the year April '09 to March '10 the price is £37.19. In reality, the traded market price of a ROC is higher than the Buy-Out Price because of the Recycle Value. The Recycle Value is the sum recycled back to those suppliers who submitted ROCs to meet their annual obligation made up from the Buy-Out payments paid by those suppliers who have not met their obligation with ROCs. It is expected that as more renewable energy is developed then the market value of a ROC will decrease as more suppliers will meet their obligation solely with ROCs. As a result there will be less money 'recycled' back to those submitting ROCs. However, as yet not enough renewable plant has been developed to instigate this expected price decrease.

## How do I become accredited & how can TLS help?

In order to receive ROCs a generator must be accredited with Ofgem. A generator can either contact Ofgem independently to become accredited, or, they can appoint TLS to act as their Agent. TLS will then complete the application process on their behalf. The advantages of appointing TLS as an Agent include:

1. Fast and efficient accreditation service
2. Competitive ROC prices
3. Support from a team of experienced energy professionals.
4. All ongoing administration required by Ofgem resolved immediately.

The accreditation is valid from the date TLS submit the application to Ofgem.

### Eligibility for ROC Accreditation

Any Microgenerator is eligible to receive ROCs as long as:

- The meter installed to record the electricity generation at the microgenerating site is Ofgem approved
- The electricity generated at the site is used in a 'Permitted Way' as defined by the ROO, i.e. The electricity must be:
  1. Consumed onsite in the home or business (eg: for heating or lighting)
  2. Supplied via a distribution system to customers (eg: a farm supplying a third party via private wire)
  3. Exported to the grid

### Appointing TLS as your Operator Agent

TLS will send the Microgenerator a Services Agreement to complete. Once this is completed, signed and returned to TLS we will submit the application online on the Ofgem web site. TLS will send the Microgenerator a copy of the Ofgem standard Agent Appointment letter which must be completed and returned to TLS for onward submission to Ofgem. TLS will then liaise with Ofgem until the accreditation is confirmed. TLS will sign the Information Declaration on the generators behalf to confirm that Ofgem will be notified of any changes to the generating station. The generator is expected to keep TLS up-to-date regarding these changes.

Upon accreditation the microgenerating site will be assigned a unique Renewable Obligation ID number. The site will become part of a TLS Agent



group which is technology and country specific. TLS will submit the Microgenerators' annual meter readings to Ofgem on or before the 31<sup>st</sup> May each year and ROCs will be issued according to electricity generated between 1<sup>st</sup> April and 31<sup>st</sup> March of that year. Once the ROCs are issued and received into the TLS account, TLS will send payment to the client for the appropriate amount due under their contracts.

### What are LECs and REGOs?

All industrial consumers who use electricity generated from fossil fuels rather than renewable or good quality CHP electricity are charged a levy for this electricity (currently £4.70/MWh for April '09 to March '10 and increasing annually with RPI). Levy Exemption Certificates (LECs) are issued by Ofgem in a similar way to ROCs. 1 LEC is issued for every MWh of renewable or good quality CHP electricity generated and if customers purchase this electricity with LECs then they do not pay the levy. Submission of data to Ofgem for LECs is on a monthly basis. TLS does not currently offer this service to Microgenerators as the value of the LEC is too small and the administration levels too high to warrant trading.

Renewable Energy Guarantee of Origin certificates (REGOs) guarantee electricity from a renewable source and have no value at present.

### What Commercial Options are available to Microgenerators through TLS?

TLS offers a very competitive ROC price and currently has a number of different commercial options available to the microgeneration market. These options include services tailored to single and multi generator sites and to those Microgenerators that have accredited themselves and are looking to sell their annual ROCs.

If you'd like to speak to us about which of our services would be suitable for your project:

Call us: **01923 713 840**

E-mail us: **[microgen@tradelinksolutions.com](mailto:microgen@tradelinksolutions.com)**

Visit us: **[www.tradelinksolutions.com](http://www.tradelinksolutions.com)**