



Promoting choice and value
for all gas and electricity customers

Renewables and CHP Schemes Administered by Ofgem

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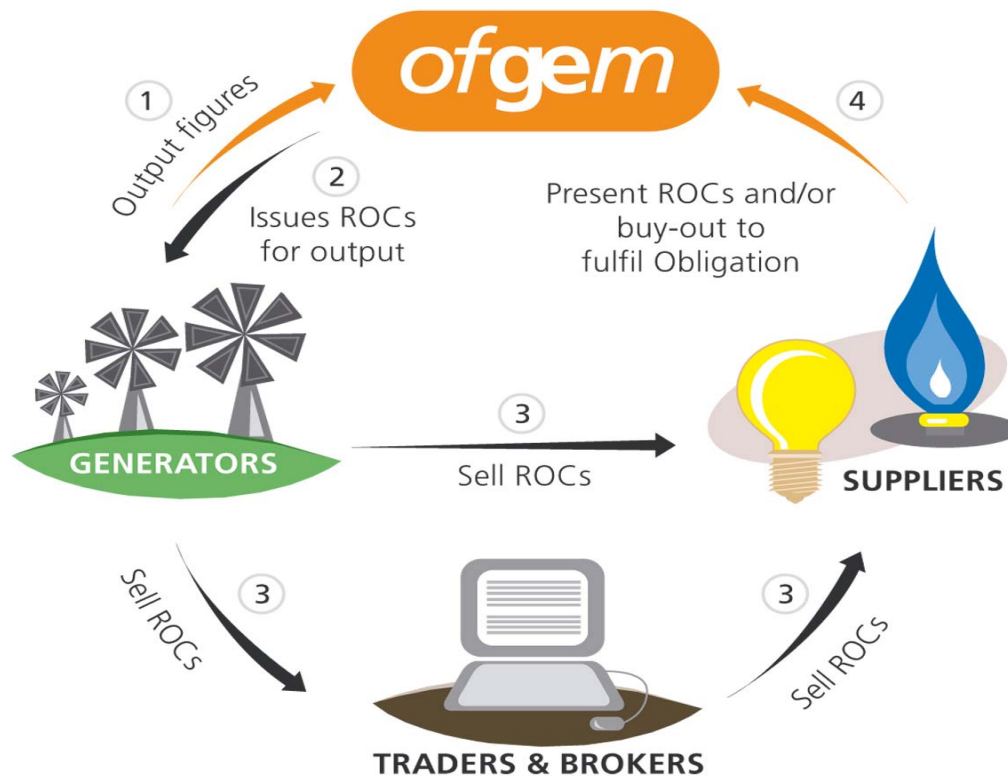
Ofgem Administers the UK Governments' Key Support Schemes for Renewable Energy and Combined Heat and Power (CHP)

- Renewables Obligation
- Non Fossil Fuel Obligation
- Climate Change Levy Exemption Certificates
- Renewable Energy Guarantees of Origin

Renewables Obligation

- Requires licensed electricity suppliers to purchase a certain amount of renewable electricity each year, or pay a buyout amount
- Currently 9.1%; will be 15.4% in 2015/16
- £1 Billion of certificates issued to 5000MW of renewable generators each year (set to double by 2015)
- Value of a ROC is around £50/MWh
 - Made up of buyout price (indexed to inflation) and buyout redistribution amount (depends on portion of obligation met with ROCs)
- What we do:
 - Accredit eligible renewable generators
 - Issue Renewable Obligation Certificates (ROCs)
 - Maintain a certificate register
 - Check suppliers comply with their obligations

The ROC cycle



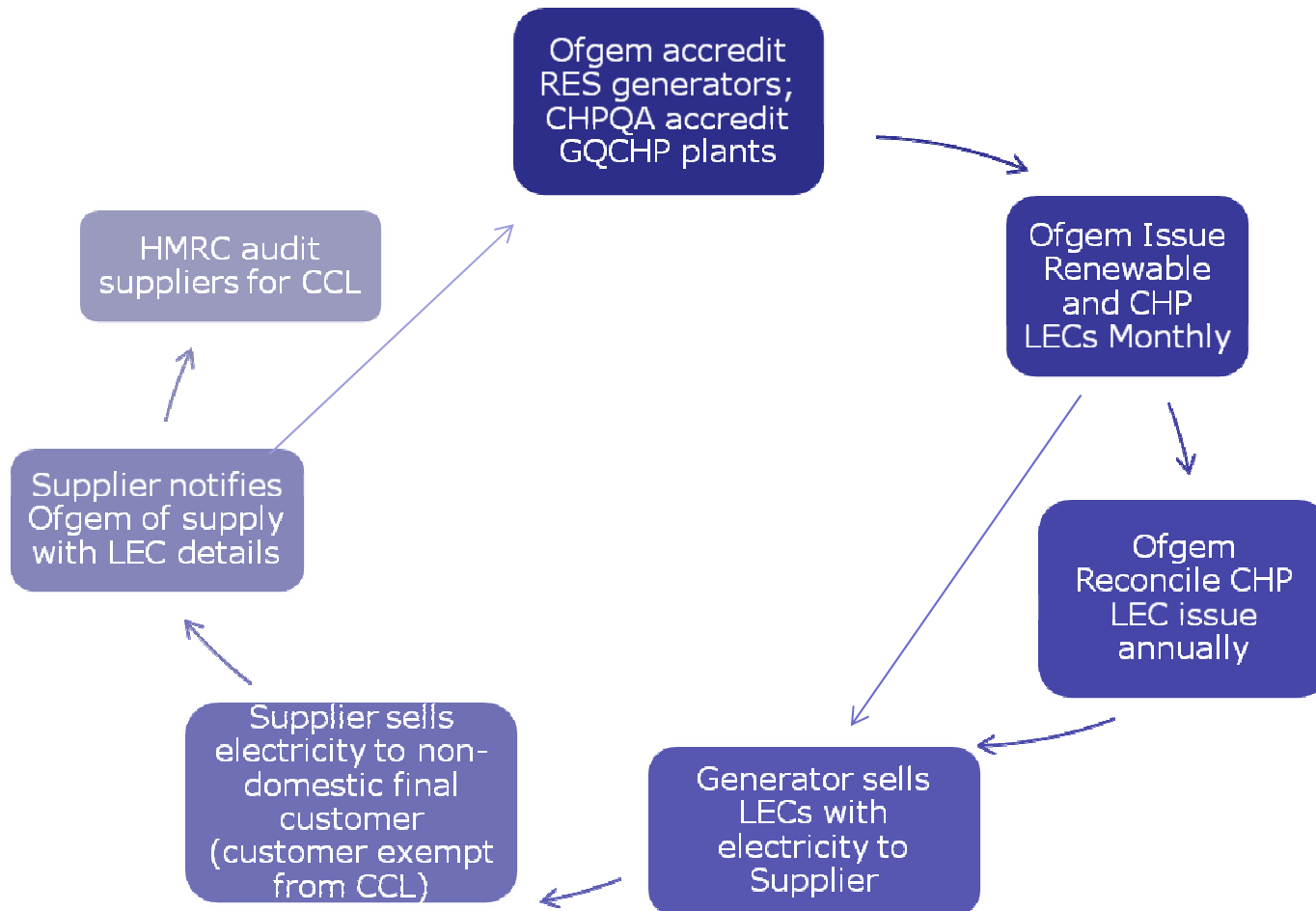
Non Fossil Fuel Obligation

- Precursor to the RO
- Fixed price contracts between Non Fossil Purchasing Agency (on behalf of suppliers) and generators
- 700 contracts current covering 3000MW of generation
- We ensure suppliers comply with ongoing obligations
 - Suppliers must ensure NFPA is enforcing contracts
 - We review requests for contract amendments
 - We review requests for termination of contracts on economic grounds
 - We ensure RO projects not built on NFFO sites

Climate Change Levy (CCL)

- A tax aimed at reducing greenhouse gas emissions in non-domestic sector
- Payable on non-domestic supplies of energy
- Currently £4.56/MWh
- HMRC set the legislation and collect the levy
- Supply from eligible renewable and CHP sources is exempt
 - Levy Exemption Certificates (LECs) needed to prove this
- CHPQA accredit CHP generators
- What we do:
 - accredit renewable generators,
 - issue LECs and maintain a certificate register,
 - allocate LECs to supply
- We issue £200M/y of LECs on 45,000 GWh of generation

Renewable & CHP LEC Cycle



Renewable Energy Guarantees of Origin (REGOs)

- REGOs are electronic certificates proving that electricity generated is from a renewable energy source
- Required under EU legislation
- Suppliers are required to disclose the fuel mix of their electricity to customers each year – need REGOs to prove the renewable portion
- REGOs have no market value
- What we do:
 - Accredited Generators
 - Issue Certificates
 - Maintain a certificate register
 - Provide information for FMD compliance purposes (on request)
 - Recognise EU Guarantees of Origin



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