

Ofgem's RO annual report



renewable energy
thrushgill

Briefing note
February 2015

2013/14 (CP12) - Supplier compliance

Overall position

In 2013/14 (CP12) renewable generation receiving Renewables Obligation (RO) support amounted to 49.6TWh, or 16.3% of all electricity supplied in the UK, with a total RO of 61.9m ROCs, of which 98% was met by suppliers presenting ROCs. Against the England and Wales obligation of 0.206 ROCs per MWh there was just a 0.003 ROCs per MWh shortfall.

The recycle value per ROC was £0.70, which when added to the buy-out price made the nominal ROC value equal £42.72/ROC. This was the smallest recycle value since the start of the RO as a result of a record number of ROCs issued against the total obligation.

Large suppliers

Ofgem's 12th annual RO [report](#) shows that in 2013/14 (CP12) the Big Six energy suppliers (EDF Energy, RWE npower, E.ON UK, Centrica, SSE and Scottish Power) once again dominated the renewable electricity supply market with a combined share of 85% of the total RO, but this was 2.1 percentage points less than in the previous year.

EDF Energy again had the largest RO of 10.8m ROCs, and of this total the proportion met by ROCs was 99%. This proportion was 2 percentage points higher year-on-year. At 10.7m this was also the highest number of ROCs presented of all suppliers. All the Big Six suppliers' rankings were unchanged year-on-year.

Only SSE complied with below 99% compliance at 95%.

Centrica's ROC compliance increased the most, by 13 percentage points.

EDF Energy's obligation increased by the most, at 28%, year-on-year. This was the only one above the 26% increase in the RO, suggesting an increase in market share. E.ON UK's increased by 26%, while the obligations of RWE npower, SSE, Centrica and Scottish Power rose by less than this, at 23%, 20%, 23% and 16%, suggesting a reduction in market share.

Banked ROCs

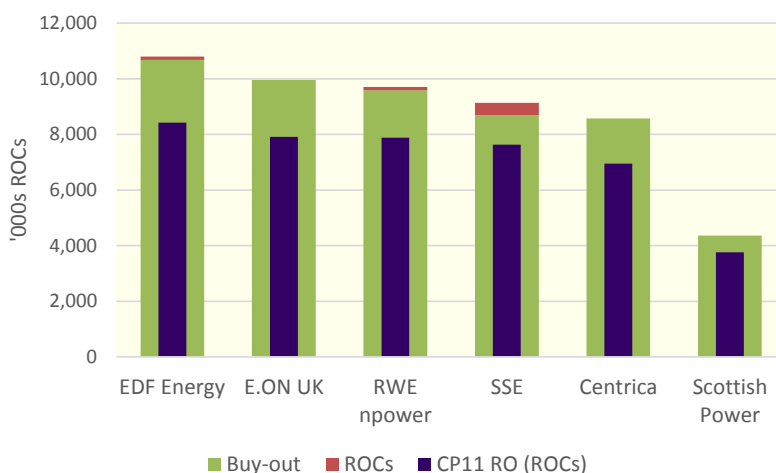
Around 2.4m ROCs issued in 2013/14 (CP12) were not presented back to Ofgem for compliance purposes, the highest ever. These will have to be submitted for compliance in 2014/15 (CP13). Renewables policy allows for a maximum of 25% of a supplier's RO to be made up of ROCs banked from the previous compliance period.

In total suppliers submitted 0.5% of the total RO with ROCs generated in 2012/13 (CP11), totalling 0.3m. The Big Six presented 58% of the total. RWE npower presented the largest number, at 0.1m. Good Energy and Green Energy (UK) presented the largest proportions, at 11%.

Bioliqids

From 2013 suppliers have been capped at presenting bioliqids at 4% of their RO. Some 0.1m were presented, equating to 0.23%. RWE npower submitted the most, equating to 1.4% of its RO.

Supplier ROC compliance 2013/14 (CP12)



| UK RO | RO ('000s ROCs) | ROCs presented ('000s ROCs) | ROC % | Change in ROC % |
|----------------|-----------------|-----------------------------|------------|-----------------|
| EDF Energy | 10,797 | 10,682 | 99% | 2% |
| E.ON UK | 9,956 | 9,956 | 100% | 11% |
| RWE npower | 9,708 | 9,586 | 99% | 4% |
| SSE | 9,141 | 8,695 | 95% | 3% |
| Centrica | 8,579 | 8,579 | 100% | 13% |
| Scottish Power | 4,364 | 4,364 | 100% | 8% |
| Other | 9,314 | 8,896 | 96% | 8% |
| Total | 61,858 | 60,757 | 98% | 7% |



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2013/14 (CP12) - Independent suppliers

The proportion of the RO held by independent suppliers was 15%, an increase of 2.1 percentage points year-on-year.

Some 17 of the independent suppliers presented ROCs for their entire RO in 2013/14 (CP12), which is 5 more than in the previous year.

Many of the smaller suppliers have seen their RO increase by more than the increase in obligation levels, including Haven Power, Smartest Energy, Total Gas & Power and Opus Energy.

Ten suppliers have submitted ROCs for their entire obligations for at least the second year.

The number of the smaller suppliers choosing not to submit any ROCs has fallen, with suppliers such as First Utility and OVO Energy submitting ROCs for the first time. While Spark Energy and Utilita Energy continued to submit no ROCs.

Five suppliers failed to make buy-out payments by the 31 August 2014 deadline, but did make the full late payment totalling £6.2m that was due. The suppliers were Addito Supply, Extra Energy Supply, MA Energy, Sembcorp Utilities and Utilita Energy.

Good Energy and Green Energy UK submitted the highest proportion of banked ROCs, at 11%.

| UK RO | RO ('000s) | ROCs ('000s) | ROC % | Banked % |
|-----------------------------|------------|--------------|-------|----------|
| GDF Suez | 2,282 | 2,264 | 99% | 1% |
| * Haven Power | 1,901 | 1,900 | 100% | 0% |
| * SmartestEnergy | 1,042 | 1,042 | 100% | 3% |
| * Total Gas & Power | 975 | 975 | 100% | 3% |
| * Opus Energy | 668 | 668 | 100% | 3% |
| Gazprom Marketing & Trading | 304 | 298 | 98% | 1% |
| Power NI | 297 | 271 | 91% | 5% |
| Power 4 All | 264 | 264 | 100% | 0% |
| First Utility | 255 | 250 | 98% | 0% |
| OVO Electricity | 165 | 165 | 100% | 0% |
| * The Co-operative Energy | 124 | 124 | 100% | 4% |
| * ESB Independent Energy | 119 | 119 | 100% | 5% |
| * Viridian Energy | 105 | 105 | 100% | 0% |
| Sembcorp Utilities | 75 | 0 | 0% | 0% |
| Hudson Energy Supply | 72 | 70 | 98% | 0% |
| Dual Energy | 65 | 65 | 100% | 0% |
| * Ecotricity | 62 | 62 | 100% | 3% |
| AXPO UK | 59 | 59 | 100% | 3% |
| BES | 59 | 59 | 100% | 0% |
| Spark Energy | 58 | 0 | 0% | 0% |
| Utilita Energy | 57 | 0 | 0% | 0% |
| VPI Immingham | 40 | 0 | 0% | 0% |
| * Good Energy | 38 | 38 | 100% | 11% |
| Dong Energy | 36 | 36 | 100% | 0% |
| Economy Energy Trading | 31 | 0 | 1% | 0% |
| Gilmond Consulting | 23 | 0 | 0% | 0% |
| MA Energy | 20 | 2 | 9% | 0% |
| Flow Energy | 19 | 0 | 0% | 0% |
| Eneco energy Trade | 18 | 15 | 81% | 0% |
| Budget Energy | 17 | 0 | 0% | 0% |
| * Green Energy (UK) | 17 | 17 | 100% | 11% |
| LCC Power | 16 | 16 | 98% | 0% |

Source: Ofgem

Green indicates entire RO met with ROCs

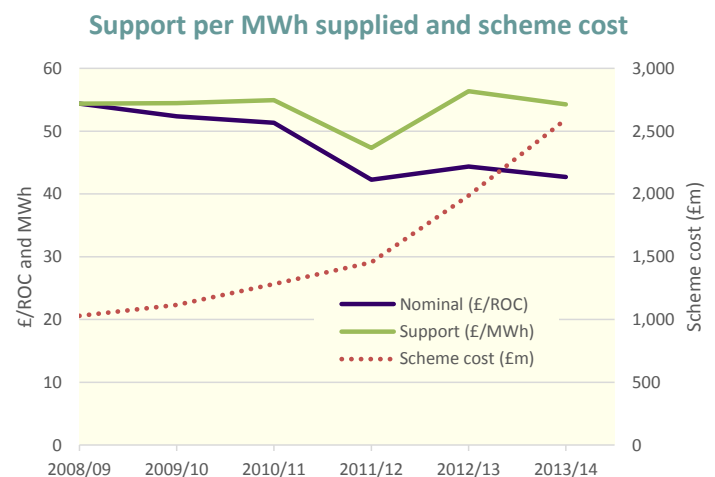
* indicates at least second consecutive year excludes suppliers with <13,000 ROC RO

Scheme costs

In 2013/14 (CP12) the total cost of the RO was £2.6bn, a year-on-year increase of 31%.

The average number of ROCs against the nominal ROC value gives the worth of a ROC, or support per MWh. This equated to £54.25/MWh in 2013/14 (CP12), down 4% year-on-year, mainly as a result of the low recycle value.

Offshore wind and solar PV had the highest worth in 2013/14 (CP12), at around £80/MWh, mainly as a result of high levels of capacity receiving more than 1 ROC per MWh. The fuelled technologies were at just over £50/MWh, down year-on-year following the closure of Tilbury. Onshore wind, hydro, landfill and sewage gas were all between £40/MWh and £45/MWh.



2013/14 (CP12) - Renewable technologies

In 2013/14 (CP12) Ofgem issued 62.8m ROCs, which was 42% more than in the previous year, mainly because the number of ROCs from onshore and offshore wind were over double as more schemes became operational and windier weather during the winter period lifted the load factors. Fuelled ROCs were also up by a third, mainly through biomass conversions.

This was also the first year that more ROCs were issued than the RO.

Of the total number of ROCs, 70% were generated in England and Wales, 27% in Scotland and 3% in Northern Ireland. These proportions were similar to the previous year.

Offshore wind

For the second year the most ROCs came from offshore wind, totalling 23.9m, which represented 38% of the total, and a 53% increase year-on-year.

These were mainly generated in England and Wales (95%), and the remainder in Scotland. Windy conditions lifted the winter load factor 14 percentage points above the three-year average to 49%.

New schemes that began receiving ROCs in 2013/14 (CP12) included the 374MW West of Duddon Sands and 61MW Teesside projects.

Onshore wind

The second largest proportion of ROCs was generated from onshore wind, amounting to 18.7m, which represented 30% of the total, and also a 53% increase year-on-year.

Some 62% of all onshore wind was again generated in Scotland, with 30% in England and Wales and 8% in Northern Ireland. Windy conditions lifted the winter load factor 8 percentage points above the three-year average to 37%.

Fuelled

The fuelled technologies accounted for 18%, totalling 11.5m, a year-on-year increase of 31% as a result of more from station conversions and co-firing. New conversion and tiered co-firing bands were introduced in April 2013. The number of fuelled ROCs fell from July 2013 following the closure of the Tilbury biomass station.

Generation was mainly in England and Wales, making up 86% of the total, with 13% in Scotland and just 1% in Northern Ireland.

Landfill gas

ROCs from landfill gas accounted for 8%, amounting to 4.8m, a year-on-year reduction of 3%. Generation was mainly in England and Wales (89%).

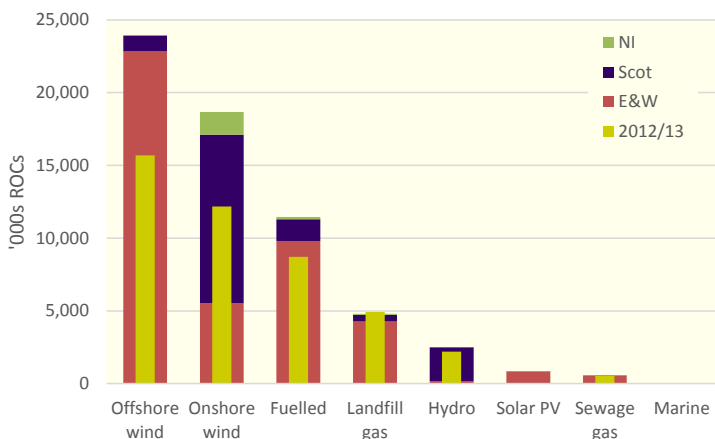
Hydro

In total 2.5m ROCs were generated, 4% of the total. Some 92% of total hydro generation was in Scotland and 7% in England and Wales.

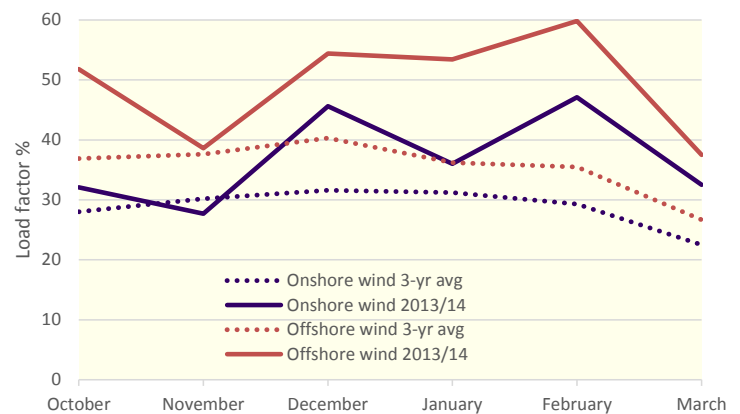
Solar PV

The number of solar PV ROCs significantly increased, to 0.9m, following a high level of accreditations. But solar PV ROCs still represented just 1% of the total with generation mainly in England and Wales (96%) and 4% in Northern Ireland.

ROCs generated by technology and country



Wind load factors



About us

Analytical consultancy services to the renewable energy sector

Thrushgill Renewable Energy provides regular and tailored analytical services to organisations involved in the energy sector on the government's energy policy.

This includes services for electricity generators, electricity suppliers and businesses, including those organisations - large or small - interested in generating their own electricity.

Regular reporting service

Our monthly *Renewables Analysed* report interprets the UK renewable energy market.

It also provides a forecast of short and long-term Renewables Obligation Certificate (ROC) values, Levy Exemption Certificate (LEC) forecasts and information on wholesale power to assist both generators and suppliers as well as energy-intensive consumers.



Tailored services

We also provide bespoke analytical consultancy services to those with an interest in energy.

Examples of these services are:

- detailed and extensive summaries and financial implications for businesses looking to generate their own electricity
- summary reports of Ofgem data to assist supplier renewables strategies to provide a valuable insight into the renewables market
- presentation of a specific renewable technology to assist with private equity research

Further information

For further information or a FREE trial to our subscription services please contact us on 07917 385940 or email info@thrushgill.com.

Additional information is also available on our website at www.thrushgill.com.

Contact us

Our analytical team is always happy to discuss your requirements and any questions you may have.

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