

Microgeneration: Renewables Obligation Fact Sheet

Who are TradeLink Solutions?

TradeLink Solutions Ltd (TLS) was established in 1997 to provide independent services in the gas, electricity and renewable energy market. Over time we have expanded to provide energy training courses as well as developing and owning a portfolio of hydro generating stations.

Today we offer a range of services to a diverse customer base, which includes the major multinational energy companies and financial institutions in the City, as well as the many smaller firms and individuals working in the emerging domestic scale microgeneration market.

We specialise in providing access to the market for 'Microgenerators'. Microgenerators are renewable Generators with a capacity under 50kW with installations that are intended for domestic and small commercial premises. In our experience Microgenerators have found it difficult to organise or obtain market prices for their Renewable Obligation Certificates (ROC's) and electricity from the complex electricity market. By acting as an Agent for Microgenerators we are able to offer the following:

- Accreditation of the generating site with Ofgem,
- Annual submission of data to Ofgem and receipt of ROCs for onward sale on behalf of microgenerator,
- Act as sole contact with Ofgem throughout accreditation and throughout the contract term to ensure no interruption in ROC issue,
- Purchase and resale of ROC's, LEC's (if applicable export) and electricity,

What is the Renewables Obligation and what are Renewable Obligation Certificates?

In 2002 the Government introduced the Renewables Obligation Order (2002) ("The Order") to encourage the development of renewable energy within the UK to help reduce Carbon Emissions.

The scheme works by placing an annual obligation on all electricity suppliers in the UK to demonstrate to the Government that they have purchased a percentage of their electricity from Renewable Sources. The percentage obligation increases each year as detailed below. Suppliers demonstrate their obligation by declaring 'Renewable Obligation Certificates' (ROCs) to

Ofgem who administer the scheme. ROCs are awarded to renewable Generators who are accredited with Ofgem. For every exact MWh of renewable energy produced Ofgem award 1 ROC to the Generator. The electricity suppliers therefore have the option to meet their obligations by either buying ROCs from Generators, from the market place, develop their own Renewable Plant or pay the Buy-Out price for that relevant year. (see below)

OBLIGATION PERIOD	TOTAL SUPPLIES UK & Scotland	TOTAL SUPPLIES NI
1 st Apr 07 - 31 st Mar 08	7.9%	2.8%
1 st Apr 08 - 31 st Mar 09	9.1%	3.0%
1 st Apr 09 - 31 st Mar 10	9.7%	3.5%
1 st Apr 10 - 31 st Mar 11	10.4%	4.0%
1 st Apr 11 - 31 st Mar 12	11.4%	5.0%
1 st Apr 12 - 31 st Mar 13	12.4%	6.3%
1 st Apr 13 - 31 st Mar 14	13.4%	6.3%
1 st Apr 14 - 31 st Mar 15	14.4%	6.3%
1 st Apr 15 - 31 st Mar 16 till 31 st Mar 27	15.4%	6.3%

How much is a ROC worth?

The Government set the value of a ROC at £30 in 2002 when the Order was introduced. This price increases each year with inflation and for this year (April 07 to March 08) the price is £34.30. This is called the 'Buy Out' price. However, ROCs are bought and sold in the market place by large Generators, traders and electricity suppliers. The market price for a ROC does vary on a daily basis but the current traded market price is higher than the Buy-Out price. As more renewable energy is developed it is expected that the market value of a ROC will decrease.

How do I become accredited and how can TradeLink Solutions Ltd help?

In order to become accredited to receive ROCs any Generator can contact Ofgem to become accredited independently or they can appoint TradeLink Solutions Ltd (TLS) to act as their Agent and TLS will then complete the process on their behalf. As long as the generating station is eligible under the criteria in the Order the site can be accredited and is then eligible to claim ROCs from when Ofgem receive the completed accreditation.

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Eligibility for ROC Accreditation

Any Microgenerator is eligible to receive ROCs as long as they meet certain criteria set out in the Order. The most important criteria are:

- The meter to record the electricity generation at the microgenerating site must be included on the Ofgem list Schedule 7¹,
- The electricity generated at the site must be used in a 'Permitted Way' as defined by the Order this means the electricity is consumed onsite in the home or business (eg: for heating or lighting) or it is provided via a distribution system for supply to customers (eg: a farm supplying a third party) and/or,
- The electricity must be exported to the grid.

If the electricity supply is distributed via a distribution system to a third party the Order states that this supply must be supplied through a licensed electricity supplier in order to be eligible for ROCs. TLS is a licensed electricity supplier and is able to put in place a contract to enable eligibility. In this situation TLS (or any licensed supplier acting on behalf of the Generator) will become liable to Ofgem for the annual percentage obligation under the Renewables Obligation (see above). This obligation will then be on-charged to the generator. It is relatively uncommon for microgenerators to find themselves in this situation as usually they do not supply a third party.

What is the process for getting a Microgenerator accredited for ROCs using TLS?

The microgenerator appoints TLS as an Agent by sending a standard letter to Ofgem (TLS can provide the template). The microgenerator at the same time should complete our sign up form and TLS, once the Agent appointment is confirmed, will complete the Ofgem accreditation form and liaise with Ofgem until the accreditation is confirmed. The microgenerator is required to sign one declaration at the beginning of the process but TLS can sign on the microgenerators behalf annually thereafter.

On accreditation the microgenerating site will be assigned a unique RO ID number. The site will then

become part of a TLS Agent group which is technology and country specific. On an annual basis (by 31st May each year) TLS will submit the microgenerators meter readings to Ofgem and ROCs will be issued according to the actual fraction of MWh produced by August of that ROC year. Once the ROCs are issued and received into the TLS account, TLS will send payment to the client for the appropriate amount.

What are LECs and REGOs?

Levy Exemption Certificates (LECs) are issued by Ofgem in a similar way to ROCs. One LEC is issued for every MWh of renewable electricity generated. All industrial customers who consume 'brown' electricity generated from Fossil Fuels rather than 'green' renewable electricity are charged a levy (currently £4.41 (increasing annually with RPI)) for this electricity. If customers purchase green electricity with attached LECs then they do not pay the levy. Submission of data for LECs has to be submitted to Ofgem on a monthly basis and TLS cannot offer this service for Microgenerators at present but we advise to apply for LEC accreditation nonetheless.

Renewable Energy Guarantee of Origin (REGOs) have no value at present but it is envisaged that within the next few years REGOs will be important so we advise that Microgenerators apply for REGO accreditation.

What Commercial Options are available?

Commercial arrangements for Microgenerators are flexible but we usually offer a 5-year contract with the end date ending on the 31st March of a ROC year. If the contract covers just Agent services for ROC administration our fees are £100 for accreditation and an annual administration fee of £25. We can offer a fixed price payment for your ROCs as follows:

- Fixed price £35
- Fixed price £40 with an increased annual administration fee of £50.

More site specific commercial deals are available on request in special circumstances.

¹ Smaller Generators Metering Information can be found at: <http://www.ofgem.gov.uk/Sustainability/Environment/Policy/SmallerGens/TeChArrang/GenerTechs/Documents/2201-metering.pdf>