



Department for
Business, Energy
& Industrial Strategy

THE RENEWABLES OBLIGATION FOR 2021/22

Calculating the level of the Renewables
Obligation for 2021/22



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Calculating the level of the Renewables Obligation for 2021/22

Summary of the calculation

The Renewables Obligation scheme places an annual obligation on UK electricity suppliers to present to Ofgem (the scheme's administrator) a specified number of Renewables Obligation Certificates (ROCs) per megawatt hour of electricity supplied to their customers during each obligation period (which runs from 1 April to 31 March).

The Renewables Obligation Order 2015 (ROO 2015) requires the Secretary of State to publish the level of the obligation (in ROCs per megawatt hour) six months before the start of each obligation period, i.e. by 1 October.

This note sets out the level of the obligation for the 2021/22 period and explains the underpinning methodology.

The total obligation

Setting the size of the total obligation requires two calculations:

- **For calculation A (fixed target)** we are required to estimate the total amount of electricity (MWh) expected to be supplied to customers during the 2021/22 obligation period, for both Great Britain and Northern Ireland. The overall obligation (in ROCs) is then obtained by multiplying these figures by the fixed targets specified in the ROO 2015. These are 0.154 ROCs per MWh for Great Britain and 0.063 ROCs per MWh for Northern Ireland;
- **For Calculation B (headroom)**, the expected number of ROCs to be issued in 2021/22 is estimated and then uplifted by 10 per cent. The projected number of ROCs is then used to calculate the level of the obligation for Calculation B.

The total obligation, which is then used to determine the level of the obligation, is set as one of these calculations, determined as:

- **Fixed target:** If the fixed target (Calculation A) is equal to or greater than headroom (Calculation B); or
- **Headroom:** If headroom (Calculation B) is greater than the fixed target (Calculation A).

Calculation A sets the total UK obligation at 40.7 million ROCs by applying BEIS's projected trend in sales from the Energy and Emissions Projections to Ofgem's outturn sales data for 2019/20¹.

¹ See page 8 for an explanation of the sales data

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Calculation B sets it at 114.0 million ROCs, excluding headroom, and taking account of the cap on biomass conversion stations². Including 10% headroom gives a total of 125.4m ROCs in the United Kingdom.

Calculation B is the higher of the two and must therefore be used.

The level of the obligation

The level of the obligation sets the number of ROCs that electricity suppliers are required to present to Ofgem per megawatt hour (MWh) of electricity that they supply during an obligation year.

Taking account of the exemption for Energy Intensive Industries in Great Britain (see below), the number of ROCs that electricity suppliers are required to produce during the 2021/22 obligation period will be:

- **0.492 ROCs per MWh in Great Britain** (England, Wales and Scotland); and
- **0.194 ROCs per MWh in Northern Ireland.**

An exemption for Energy Intensive Industries

An exemption for Energy Intensive Industries (EII) from up to 85% of the indirect costs of the Renewables Obligation (RO) was implemented in England and Wales in 2017. This involved changing the methodology for calculating the level of the obligation and adjusting the scope of the obligation in the ROO 2015 so that the level of the obligation (ROCs/MWh rate) applies to:

- 100% of electricity supplied to non-EIIs;
- 15% or more of the electricity supplied to EIIs.

The details of the exemption methodology for England and Wales are set out in the Renewables Obligation (Amendment) (Energy Intensive Industries) Order 2017³.

The Scottish Government has devolved responsibility for setting the obligation in Scotland. It has made equivalent changes to the methodology for setting the level of the obligation and scope of the obligation in Scotland, as set out in the Renewables Obligation (Scotland) Amendment Order 2017⁴.

The exemption has not been introduced for the RO in Northern Ireland at this stage. As a devolved policy matter, this would be for the Northern Ireland Executive to take forward if it so decides. As a result, the level of the obligation for Northern Ireland does not make any adjustments for electricity supplied to EIIs.

² See page 6 for an explanation of the cap.

³ Renewables Obligation (Amendment) (Energy Intensive Industries) Order 2017 at: <https://www.legislation.gov.uk/ukdsi/2017/9780111159170/contents>

⁴ The Renewables Obligation (Scotland) Amendment Order 2017 at: <https://www.legislation.gov.uk/sdsi/2017/9780111036433/contents>

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BEIS's latest estimate of exempt electricity to be supplied to eligible EIs in 2021/22 is 9.8TWh (i.e. 85% of 11.5TWh). This includes the exemption for the flour milling sector that came into force on 1 April 2020. The figures include the same adjustment as explained on page 9, to take account of the likelihood that electricity sales will remain depressed in 2021/22 due to the continued impact of the COVID-19 pandemic.

Caps on the ROCs received by certain biomass conversion stations

The Renewables Obligation (Amendment) Order 2018 inserts a new Schedule 6 into the Renewables Obligation Order 2015 which provides for the introduction of annual flexible caps on the number of ROCs that certain RO eligible biomass co-firing and conversion stations and units not protected by grandfathering⁵ can receive. That Schedule defines two types of generating stations to which the flexible cap mechanisms will apply:

- Capped generating stations, which comprise only non-grandfathered 'capped' units': and
- Mixed generating stations, which comprise non-grandfathered 'capped' units and grandfathered 'exempt' units.

At **capped generating stations**, there is a cap on the number of ROCs the station can be issued in each Obligation year. This is equal to 125,000 ROCs for each unit at the station. Stations will be able to optimise generation across units, up to the level of their station cap.

For **mixed generating stations**, an overall station cap will be calculated by first estimating the number of ROCs likely to be issued for generation at the exempt units during the Obligation year (the "exempt combustion unit estimate"). An allowance of 125,000 ROCs is then added for each of the station's capped units. If generators choose to exceed their capped unit allowance, further ROCs will only be issued for generation at any of the station's RO eligible units up to the level of the flexible station cap. If generators choose to stay within their allowance at their capped units, there will be no cap on the number of ROCs issued to their exempt units.

The following RO accredited generating station meets the definition of **mixed generating station** in 2021/22, based on Ofgem's records:

- Drax Power Station, Selby, YO8 8PH.

The station comprises two RO eligible exempt units (Unit #2 and Unit #3) and one RO eligible capped unit (Unit #4).

Overall station cap for Drax

The 2021/22 exempt combustion unit estimate for Drax Unit #2 and Unit #3 will be set as follows, together with the capped unit allowance for Unit #4 (the small difference in the total compared to adding up the figures is due to rounding to the nearest decimal place):

⁵ Grandfathering is a policy commitment that stations will receive no less support under the RO than they have received historically. Stations or units which generated at the biomass conversion band on or before 12 December 2014 are grandfathered. Stations or units which generated at the biomass conversion band after this date are not grandfathered.

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Type of unit	Unit number	No. of ROCs for 2021/22 obligation year	
Drax RO eligible exempt (grandfathered) units	Unit #2	Estimate of number of ROCs likely to be issued in respect of relevant electricity generated during the 2021/22 obligation year	5,257,984
	Unit #3		5,257,984
Drax RO eligible capped (non-grandfathered) unit	Unit #4	Capped unit allowance for 2021/22 obligation year	125,000
Overall station cap			10,640,967

Further information on the calculation

Detailed information on calculation A and B is provided in the Annex to this notice.

Annex

Calculation A

Calculation A requires an estimate of the total amount of electricity (MWh) expected to be supplied to customers during the 2021/22 obligation period, for both Great Britain and Northern Ireland.

To obtain the forecast of estimated electricity sales for the 2021/22 RO calculation, we have applied BEIS's projected trend in sales from the 2019 Energy and Emissions Projections⁶ to Ofgem's outturn sales data for 2019/20, derived from their publication "Renewables Obligation: Total obligation for 2019/20"⁷.

BEIS's 2019 projections are made on the same basis as table 5.5 of the Digest of UK Energy Statistics (DUKES, published in July 2019)⁸. Ofgem use their sales outturn data when they calculate the actual number of Renewables Obligation Certificates (ROCs) that each supplier must present to fulfil their obligation.

Ofgem's published data on the total obligation for 2019/2020 sets figures of:

- 116,940,506 ROCs in England and Wales, and 11,782,299 ROCs in Scotland. That gives a total of 128,722,805 ROCs in Great Britain (GB); and
- 1,461,163 ROCs in Northern Ireland (NI).

Dividing these total obligations by the relevant level of the obligation set by BEIS for 2019/20 (i.e. the number of ROCs that electricity suppliers are required to present to Ofgem per MWh of electricity that they supplied during an obligation year)⁹ gives the following outturns for sales in 2019/20:

- $128,722,805 \text{ ROCs in GB} \div 0.484 \text{ ROCs per MWh} = 266.0 \text{ TWh in GB in 2019/20}$; and
- $1,461,163 \text{ ROCs in NI} \div 0.190 \text{ ROCs per MWh} = 7.7 \text{ TWh in NI in 2019/20}$.

The Ofgem figure excludes exempt electricity supplied to eligible energy intensive industries in GB (there is no EII exemption in NI). The BEIS estimate of 10.7TWh for exempt electricity is added to the Ofgem figure to give a total of 276.6TWh in GB in 2019/20. This produces a total electricity sales figure for GB & NI of 284.3TWh (the small difference in the totals compared to adding up the figures is due to rounding).

Applying the EEP trend to the 2019/20 GB & NI sales figure decreases the figure in 2021/22 by 2.5%. However, BEIS's projections represent the world before the COVID-19 pandemic.

⁶ The 2019 Energy and Emissions Projections will be published in due course on BEIS's website at: <https://www.gov.uk/government/collections/energy-and-emissions-projections>

⁷ Ofgem's "Renewables Obligation: Total obligation for 2019/20" is available at: <https://www.ofgem.gov.uk/publications-and-updates/renewables-obligation-total-obligation-201920>

⁸ DUKES is available at: <https://www.gov.uk/government/collections/digest-of-uk-energy-statistics-dukes>

⁹ The level of the Obligation for 2019/20 is available at: <https://www.gov.uk/government/publications/renewables-obligation-level-calculations-2019-to-2020>

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Taking account of evidence from within BEIS and from industry, we have reduced the forecast by a further 3% to take account of the likelihood that electricity sales will remain depressed in 2021/22 due to the continued impact of the pandemic. Applying both reductions gives a forecast of 269.0TWh for GB & NI.

Looking at the forward trend since the RO started in 2002 gives a split of 97.2% of UK electricity sales in Great Britain, and 2.8% in Northern Ireland. Applying these to the 269.0TWh gives a figure of 261.5TWh for Great Britain and 7.5TWh for Northern Ireland.

The overall obligation (in ROCs) for Calculation A is obtained by multiplying these electricity sales forecasts by the fixed targets specified in the Renewables Obligation Order 2015 to give the following:

- 261.5TWh x 0.154 ROCs per MWh for GB = 40.3 million ROCs; and
- 7.5TWh x 0.063 ROCs per MWh for NI = 0.5 million ROCs.

This gives a UK total of 40.7 million ROCs for Calculation A (the small difference in the total compared to adding up the figures is due to rounding).

Calculation B

Calculation B estimates the number of ROCs to be issued to stations expected to be operational during 2021/22, for both existing and forthcoming stations.

For each installation, generation is estimated by multiplying the capacity by the number of hours in the year, and the expected load factor. The expected ROCs are then calculated by applying the banding level for that technology to the generation.

The list of existing sites was taken from Ofgem's RO accredited stations database¹⁰. Only those expected to generate in 2021/22 have been included.

As the RO is now closed to all new applications, the only new additions will be stations that have already applied for accreditation but have not yet been processed by Ofgem. A list of these new stations was sourced from internal information from Ofgem. Only those predicted to generate in 2021/22 have been included.

BEIS's calculations give a total of 114.0 million ROCs before headroom. With headroom, this gives a total of 125.4 million ROCs.

The calculation used for 2021/22 (A or B)

Calculation B is higher than Calculation A. In accordance with the Renewables Obligation Order 2015, Calculation B must be used to set the level of the Obligation in 2021/22.

The details of the assumptions used in calculation B are set out below.

¹⁰ Ofgem's accredited stations database is available at:

<https://www.renewablesandchp.ofgem.gov.uk/Public/ReportViewer.aspx?ReportPath=/Renewables/Accreditation/AccreditedStationsExternalPublic&ReportVisibility=1&ReportCategory=1>

Assumptions used for Calculation B

Capacity of UK stations by technology

The following table sets out the breakdown of capacity (in GW) by technology for new and existing UK stations in 2021/22:

Technology	Capacity (GW)
Biomass and waste technologies	4.0
Hydro, Tidal and Wave	0.7
Landfill gas and Sewage gas	1.0
Offshore wind	6.6
Onshore wind	12.5
Photovoltaics (Solar PV)	7.2
Total	32.0

Biomass and waste technologies include advanced conversion technologies, anaerobic digestion, dedicated biomass, biomass CHP, biomass conversions, co-firing of biomass, and energy from waste with CHP.

Load Factors

Load factors are used to calculate generation from the capacity for each technology. The load factors presented below are net of availability, expressed on a total installed capacity (TIC) basis.

Load factor methodology

In previous years, the load factors were split into two categories: one for existing stations, and one for new build. However, the RO is now closed to new applications and the small number of stations with an application for accreditation awaiting approval from Ofgem have already commissioned. As a result, there is now just one category, covering both existing and new build stations.

We have used monthly generation and capacity data (on an unchanged configuration basis) based on ROCs issued from April 2010 up to 31 March 2020, as published by Ofgem¹¹.

Unchanged configuration load factors express average hourly quantity of electricity generated by stations operational the entire year (in the same configuration), as a percentage of capacity operational the entire year (from the same stations). As such, it removes bias from changes in

¹¹ Ofgem's certificate database is available at:

<https://www.renewablesandchp.ofgem.gov.uk/Public/ReportViewer.aspx?ReportPath=/DatawarehouseReports/CertificatesExternalPublicDataWarehouse&ReportVisibility=1&ReportCategory=2>

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capacity during the year (e.g. because of sites beginning operation at the beginning or end of the year).

For biomass conversions and co-firers, given the small numbers of stations involved, we have used station-specific load factors based on actual generation data and discussions with industry experts.

Load factors for each technology

The two tables below set out the load factors for each technology and explain the data used to calculate the figures.

The load factors for onshore wind are divided into territorial categories:

Technology	Category	Load factor	Source
Onshore wind	England	27.9%	Based on actual generation with a wind speed factor correction.
	Wales	28.8%	
	Scotland	25.9%	
	Northern Ireland	25.0%	

For all other technologies, the same load factor applies across the UK:

Technology	Load factor	Source
Advanced Conversion Technologies	40.5%	Based on a capacity weighted average of actual generation data from 1 April 2010 to 31 March 2020, on an unchanged configuration basis, pre-applying 50% Renewable Qualifying Multiplier. The significant decrease in the load factor compared to last year is due to the addition of new capacity with a low load factor used in the estimates.
Anaerobic Digestion	41.8%	Based on a commissioning year weighted average of actual generation data from 1 April 2010 to 31 March 2020, on an unchanged configuration basis. This method has been used as there is a clear upward trend in load factors over time.
Biomass CHP	65.9%	Based on a commissioning year weighted average of actual generation data from 1 April 2010 to 31 March 2020, on an unchanged configuration basis. This method has been used as more recent years had a higher load factor.

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Technology	Load factor	Source
Dedicated Biomass	49.8%	Based on a capacity weighted average of actual generation data from 1 April 2010 to 31 March 2020, on an unchanged configuration basis.
Energy from Waste with CHP	28.2%	Based on a capacity weighted average of actual generation data from 1 April 2010 to 31 March 2020, on an unchanged configuration basis, pre-applying 50% Renewable Qualifying Multiplier.
Hydro	39.9%	Based on a capacity weighted average of actual generation data from 1 April 2010 to 31 March 2020, on an unchanged configuration basis.
Landfill Gas	30.5%	Based on the declining trend of generation from 1 April 2010 to 31 March 2020.
Offshore wind	41.8%	Based on actual generation with a wind speed factor correction.
Photovoltaics (Solar PV)	10.8%	Based on actual generation with a radiation factor correction.
Sewage Gas	45.7%	Based on a capacity weighted average of actual generation data from 1 April 2012 to 31 March 2020, on an unchanged configuration basis.
Tidal	23.1%	Based on internal discussions on the stations in the RO, their weighted capacity and likely individual load factors.
Wave	2.9%	Based on internal discussions on the stations in the RO, the historic assumption seemed reasonable.

Estimated number of UK Renewables Obligation Certificates (ROCs) to be issued by technology

The table on the next page sets out the breakdown of the estimated number (in millions) of UK ROCs to be issued in 2021/22 by technology. The total is the number of ROCs before the 10% headroom is added:

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Technology	Total (millions of ROCs)
Biomass and waste technologies	24.1
Hydro, Tidal and Wave	2.6
Landfill gas and Sewage gas	2.7
Offshore wind	45.8
Onshore wind	28.7
Photovoltaics (Solar PV)	10.1
Total	114.0

This publication is available from: <https://www.gov.uk/government/publications/renewables-obligation-level-calculations-2021-to-2022>

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