



Department for  
Business, Energy  
& Industrial Strategy

# THE RENEWABLES OBLIGATION FOR 2023/24

Calculating the level of the Renewables  
Obligation for 2023/24



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# Calculating the level of the Renewables Obligation for 2023/24

## 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 2023/24 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 2023/24 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 2023/24 is estimated and then uplifted by 10 per cent.

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 42.0 million ROCs by applying BEIS's projected trend in sales from the Energy and Emissions Projections to Ofgem's outturn sales data for 2021/22<sup>1</sup>.

Calculation B sets it at 111.3 million ROCs, excluding headroom, and taking account of the cap on biomass conversion stations<sup>2</sup>. Including 10% headroom gives a total of 122.4 million ROCs in the United Kingdom.

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<sup>1</sup> See page 8 for an explanation of the sales data

<sup>2</sup> See page 6 for an explanation of the cap.

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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 current 85% exemption for Energy Intensive Industries (EII) in Great Britain from the indirect costs of the RO (see below), the number of ROCs that electricity suppliers are required to produce during the 2023/24 obligation period will be:

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

### An exemption for Energy Intensive Industries

#### Current exemption for EII

The current exemption for Energy Intensive Industries (EII) from up to 85% of the indirect costs of the 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 Scottish Government has devolved responsibility for setting the obligation in Scotland. It made equivalent changes to the methodology for setting the level of the obligation and scope of the obligation in Scotland.

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.

BEIS's latest outturn figures for 85% exempt electricity supplied to eligible EIIs in 2021/22 is 11.5TWh. The forecast for 2023/24 on the basis of an 85% exemption is 11.4TWh.

#### Future exemption for EIIs

The British Energy Security Strategy, published in April 2022, recognised the significant impact of relatively high electricity prices on EIIs. It set out a commitment to consult on raising the exemption for EIIs from the indirect costs of the RO to up to 100%.

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BEIS launched a consultation for England and Wales which ran from 12 August to 16 September 2022<sup>3</sup>. The Scottish Government carried out a separate consultation for Scotland which ran from 22 August to 23 September 2022<sup>4</sup>.

In each case, the proposal was for that increase to take effect from 1 July 2023. Government responses to those consultations will be published in due course.

Should those responses set out an intention to increase the extent of the existing exemption for EIs during that period then we will include an estimate of the revised obligation level which would apply from 1 July 2023 through to 31 March 2024.

## Caps on the ROCs received by certain biomass conversion stations

In 2018, annual caps were introduced on the number of ROCs that certain RO eligible biomass co-firing and conversion stations and units not protected by grandfathering<sup>5</sup> can receive. There are two types of generating stations to which the cap mechanisms 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 are able to optimise generation across units, up to the level of their station cap.

For **mixed generating stations**, an overall station cap is 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 2023/24, 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).

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<sup>3</sup> The BEIS consultation “Review of the energy intensive industries exemption scheme” is available at: <https://www.gov.uk/government/consultations/review-of-the-energy-intensive-industries-exemption-scheme>

<sup>4</sup> The Scottish Government’s “Renewables Obligation (Scotland) - energy intensive industries: consultation” is available at: <https://www.gov.scot/publications/renewables-obligation-scotland-energy-intensive-industries/>

<sup>5</sup> 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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### Overall station cap for Drax

The 2023/24 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):

Type of unit	Unit number	No. of ROCs for 2023/24 obligation year	
<b>Drax RO eligible exempt (grandfathered) units</b>	Unit #2	Estimate of number of ROCs likely to be issued in respect of relevant electricity generated during the 2023/24 obligation year	4,577,496
	Unit #3		4,577,496
<b>Drax RO eligible capped (non-grandfathered) unit</b>	Unit #4	Capped unit allowance for 2023/24 obligation year	125,000
<b>Overall station cap</b>			<b>9,279,991</b>

### 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 2023/24 obligation period, for both Great Britain and Northern Ireland.

To obtain the forecast of estimated electricity sales for the 2023/24 RO calculation, we have applied BEIS's projected trend in sales from the provisional 2021 Energy and Emissions Projections<sup>6</sup> to Ofgem's outturn sales data for 2021/22, derived from their publication "Renewables Obligation: Total obligation for 2021/22"<sup>7</sup>.

BEIS's provisional 2021 projections are made on the same basis as table 5.5 of the Digest of UK Energy Statistics (DUKES, published in July 2022)<sup>8</sup>. 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 2021/22 sets figures of:

- 114,909,760 ROCs in England and Wales, and 11,436,634 ROCs in Scotland. That gives a total of 126,346,394 ROCs in Great Britain (GB); and
- 1,468,659 ROCs in Northern Ireland (NI).

Dividing these total obligations by the relevant level of the obligation set by BEIS for 2021/22 (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)<sup>9</sup> gives the following outturns for sales in 2021/22:

- $126,346,394 \text{ ROCs in GB} \div 0.492 \text{ ROCs per MWh} = 256.8 \text{ TWh in GB in 2021/22}$ ; and
- $1,468,659 \text{ ROCs in NI} \div 0.194 \text{ ROCs per MWh} = 7.6 \text{ TWh in NI in 2021/22}$ .

The Ofgem figure excluded exempt electricity supplied to eligible energy intensive industries in GB (there is no EII exemption in NI). The BEIS outturn figure of 11.5TWh for exempt electricity in 2021/22 is added to the GB and NI total of 264.4TWh to give a total electricity sales figure for GB & NI of 275.9TWh in 2021/22.

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<sup>6</sup> At the time the level setting calculation needed to be completed, the final 2021 Energy and Emissions Projections (EEP) were not available. So provisional figures have been used. The final 2021 EEP will be published in due course on BEIS's website at: <https://www.gov.uk/government/collections/energy-and-emissions-projections>. These may differ slightly from the provisional figures used above, but the level of the obligation will not be altered.

<sup>7</sup> Ofgem's "Renewables Obligation: Total obligation for 2021/22" is available at: <https://www.ofgem.gov.uk/publications/renewables-obligation-total-obligation-202122>

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

<sup>9</sup> The level of the Obligation for 2021/22 is available at: <https://www.gov.uk/government/publications/renewables-obligation-level-calculations-2021-to-2022>



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EEP projections are produced in calendar years (CY) which are converted into financial years by taking  $\frac{3}{4}$  of the first CY plus  $\frac{1}{4}$  of the next CY. Applying the EEP trend to the 2021/22 GB & NI sales figure increases the figure in 2023/24 by 0.4%. That gives a forecast of 277.1TWh for GB & NI in 2023/24.

Based on the actual split of UK electricity sales across Great Britain and Northern Ireland for 2021/22<sup>10</sup>, 97.2% of sales were in Great Britain, and 2.8% in Northern Ireland. Applying these to the 277.1TWh for the UK gives a figure of 269.3TWh for Great Britain and 7.9TWh for Northern Ireland in 2023/24.

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:

- 269.3TWh x 0.154 ROCs per MWh for GB = 41.5 million ROCs; and
- 7.9TWh x 0.063 ROCs per MWh for NI = 0.5 million ROCs.

This gives a UK total of 42.0 million ROCs for Calculation A.

## Calculation B

Calculation B estimates the number of ROCs to be issued to stations expected to be operational during 2023/24, 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 database<sup>11</sup>. Only those expected to generate in 2023/24 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 2023/24 have been included.

BEIS's calculations give a total of 111.3 million ROCs before headroom. With headroom, this gives a total of 122.4 million ROCs.

## The calculation used for 2023/24 (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 2023/24.

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<sup>10</sup> Taken from BEIS's Energy Trends: UK electricity, TABLE 5.5. Availability and consumption of electricity, at: <https://www.gov.uk/government/statistics/electricity-section-5-energy-trends>

<sup>11</sup> 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>

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

### 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 2023/24 (the small difference in the totals compared to adding up the figures is due to rounding).

Technology	Capacity (GW)
<b>Biomass and waste technologies</b>	3.7
<b>Hydro, Tidal and Wave</b>	0.7
<b>Landfill gas and Sewage gas</b>	1.0
<b>Offshore wind</b>	6.6
<b>Onshore wind</b>	12.5
<b>Photovoltaics (Solar PV)</b>	7.2
<b>Total</b>	<b>31.8</b>

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 the past, 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, as published by Ofgem<sup>12</sup>.

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<sup>12</sup> 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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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 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
<b>Onshore wind</b>	England	26.4%	Based on a capacity weighted average of actual generation data from 1 April 2017 to 31 March 2022, on an unchanged configuration basis.
	Wales	28.0%	
	Scotland	25.7%	
	Northern Ireland	25.6%	

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

Technology	Load factor	Source
<b>Advanced Conversion Technologies</b>	33.8%	Based on a capacity weighted average of actual generation data from 1 April 2019 to 31 March 2022, on an unchanged configuration basis, pre-applying 50% Renewable Qualifying Multiplier.
<b>Anaerobic Digestion</b>	40.6%	Based on a capacity weighted average of actual generation data from 1 April 2017 to 31 March 2022, on an unchanged configuration basis.
<b>Biomass CHP</b>	64.8%	Based on a capacity weighted average of actual generation data from 1 April 2010 to 31 March 2022, on an unchanged configuration basis.
<b>Dedicated Biomass</b>	56.0%	Based on a capacity weighted average of actual generation data from 1 April 2019 to 31 March 2022, on an unchanged configuration basis.
<b>Energy from Waste with CHP</b>	29.7%	Based on a capacity weighted average of actual generation data from 1 April 2010 to 31 March 2022, on an unchanged configuration basis, pre-applying 50% Renewable Qualifying Multiplier.

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Technology	Load factor	Source
<b>Hydro</b>	39.8%	Based on a capacity weighted average of actual generation data from 1 April 2007 to 31 March 2022, on an unchanged configuration basis.
<b>Landfill Gas</b>	29.0%	Based on the declining trend of generation from 1 April 2010 to 31 March 2022.
<b>Offshore wind</b>	41.5%	Based on actual generation with a wind speed factor correction.
<b>Photovoltaics (Solar PV)</b>	10.9%	Based on actual generation with a radiation factor correction.
<b>Sewage Gas</b>	47.9%	Based on a capacity weighted average of actual generation data from 1 April 2017 to 31 March 2022, on an unchanged configuration basis.
<b>Tidal</b>	11.6%	Based on a capacity weighted average of actual generation data from 1 April 2017 to 31 March 2022, on an unchanged configuration basis.
<b>Wave</b>	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 below sets out the breakdown of the estimated number (in millions) of UK ROCs to be issued in 2023/24 by technology. The total is the number of ROCs before the 10% headroom is added.

Technology	Total (millions of ROCs)
<b>Biomass and waste technologies</b>	21.9
<b>Hydro, Tidal and Wave</b>	2.6
<b>Landfill gas and Sewage gas</b>	2.7
<b>Offshore wind</b>	45.6
<b>Onshore wind</b>	28.4
<b>Photovoltaics (Solar PV)</b>	10.1
<b>Total</b>	<b>111.3</b>

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This publication is available from: <https://www.gov.uk/government/publications/renewables-obligation-level-calculations-2023-to-2024>

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