

# **Government response to the consultation on changes to Renewable Energy Guarantees of Origin**

10<sup>th</sup> November 2010

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# Summary

The European 2009 Renewable Energy Directive (RED)<sup>1</sup> requires a number of changes to be made to the regulations governing Renewable Energy Guarantees of Origin (REGOs): Electricity (Guarantees of Origin of Electricity Produced from Renewable Energy Sources) Regulations 2003<sup>2</sup> (the Regulations) by 5 December 2010 transposition date. On 27 July 2010 DECC issued a consultation on these changes.

Ministers approved a shortened 6 week consultation due to limited use of REGOs in Great Britain (GB), their primary use being as evidence for Fuel Mix Disclosure purposes; and also because of the tight timeframe for implementation of the changes by 5 December 2010 transposition date. The consultation closed on 7 September 2010 and a total of 11 responses were received.

The final changes set out below are in line with those proposed in the consultation document.

## Use of REGOs in Great Britain

REGOs are used as evidence of production of renewable electricity renewable generation, in GB their primary use is as evidence for Fuel Mix Disclosure (FMD) purposes. They are also sometimes used as evidence of renewable energy generation for green house gas reporting purposes. Further details about how REGOs are used in GB are at Annex A.

## Summary of Responses

Most respondents were simply concerned that any changes made to REGOs should ensure that they could continue to be used for FMD purposes. One response raised the issue that there may be potential for gaming when the unit of measurement of a REGO increased from 1 kWh to 1 MWh, if rounding to the nearest MWh were to be introduced. No other substantive issue was raised by respondents.

## Changes to be made to Regulations governing REGOs

Based on the requirements of the RED, responses to the consultation and administrative requirements, Government will make changes to the Regulations as set out below. The new regime will take effect from 5 December 2010.

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<sup>1</sup> Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC

<sup>2</sup> The Electricity (Guarantees of Origin of Electricity Produced from Renewable Energy Sources) Regulations 2003, No.2562

### **1.1: Changes to definition of “energy from renewable sources.”**

The definition of energy from renewable sources will be amended to include energy from two new sources:

- Aerothermal
- Hydrothermal

Existing definitions of tidal and biomass will be amended:

- Ocean energy will replace tidal energy
- Biomass will now include matter from fisheries and aquaculture.

### **1.2: Change to the measurement unit of a REGO**

The unit of measurement of a REGO will change from kWh to MWh. The arrangements for rounding will be that a REGO will be issued for electricity rounded up or down to the nearest MWh. Therefore 1 REGO will be issued for electricity generation of 0.5MWh or more and generation of 0.49MWh or less will not earn a REGO. These rules apply to both monthly and annual issue REGOs.

Rounding arrangements may benefit some producers who regularly claim a REGO based on generating 0.5 MWh or just above, however, given REGOs have no monetary value in our view, any benefit is limited.

### **1.3: 12 month time limit on use of a REGO and cancellation thereafter**

The main concern of respondents to the consultation was that REGOs should continue to be able to be presented for FMD purposes. In order to ensure that this continues to be possible, we will be introducing the following arrangements.

#### *12 month time limit*

We have concluded that the 12 month time limit on the life of a REGO is adequately provided for in the legislation governing FMD. Therefore there will be no changes made to the REGO Regulations in this respect.

#### *Cancellation*

The RED requires that a guarantee of origin shall be cancelled once it has been used. We will therefore introduce new arrangements to cancel a REGO after 16 months, allowing a four month period of grace for the administrative act of cancelling REGOs. A 16 month rolling cancellation allows Ofgem’s current administrative arrangements for FMD to continue. REGOs will be held by electricity suppliers against the appropriate FMD period (April – March); to be redeemed by Ofgem at midday 1 July following that period.

## *Administration*

REGOs will be cancelled on Ofgem's Renewables and CHP Register on a rolling basis, 16 months from the month of generation, whether or not they have been used for FMD purposes.

Retired and redeemed REGOs will be treated as cancelled REGOs, though they will not be cancelled formally on Ofgem's IT system.

Note separate arrangements apply in Northern Ireland.

### Examples of 16 month rolling cancellation :

#### Monthly issue GB REGOs:

Generation	April 2011
FMD disclosure period	1 April 2011 – 31 March 2012
Redeemed	midday 1 July 2012
Cancelled if not used for FMD	1 August 2012

#### Annual issue GB REGOs

Generation	April 2011 – 31 March 2012
FMD disclosure Period	1 April 2011 – 31 March 2012
Redeemed for FMD	midday 1 July 2012
Cancelled if not used for FMD	1 August 2012

## **1.4: New requirements setting out information to be included in the REGO**

The RED sets out a number of new requirements for information to be included in a REGO. The consultation document set out that generators will be required to provide the following information to be recorded on the Ofgem Renewables and CHP Register:

- When and from which renewable energy source the electricity was produced
- The identity, location and capacity of the station
- Whether and to what extent the installation has benefited from investment support
- Whether and to what extent the unit of energy has benefited from any other national support scheme
- The date the installation became operational
- The date and country of issue and a unique identification number.

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This information will be available alongside the REGO certificate on Ofgem's Renewables and CHP Register.

### **1.5: Recognition of REGOs from another Member State**

Ofgem are currently required to recognise Guarantees of Origin (GoOs) issued by other Member States. Details are published on the Ofgem website. In line with the RED requirements and the consultation proposal, the circumstances in which Ofgem will be able to refuse to recognise a GoO from other Member States will be strengthened. Ofgem will be able to refuse to recognise a GoO from other Member States where there are well founded doubts as to the accuracy, reliability or veracity of the GoOs.

Recognition of GoOs from other Member States will be extended to include a requirement on Ofgem to recognise heating and cooling GoOs from other Member States. Details of these will be published on Ofgem's website in the same way as other REGOs from other Member States are currently if they are presented to Ofgem.

### **1.6: Optional Introduction of Heating and Cooling REGOs**

As proposed in the consultation document, Government has concluded that we will not introduce REGOs for heating and cooling in Great Britain at the present time. We will look at this decision again in the light of the introduction of the Renewable Heat Incentive.

# Annex A

## REGOs - current arrangements

Renewable Energy Guarantees of Origin (REGOs) are transferable certificates which demonstrate that electricity has been produced from a renewable source of energy within the European Union. The Electricity (Guarantees of Origin of Electricity Produced from Renewable Energy Sources) Regulations 2003 (S.I. 2003/2562) (the 2003 Regulations) regulate operation of REGOs in Great Britain. Ofgem administers the REGO scheme in Great Britain. There is a single accreditation process for generators to undergo in order to be able to claim any combination of REGOs, Renewable Obligation Certificates (ROCs) and Levy Exemption Certificates (LECs).

ROCs, LECs and REGOs are issued by Ofgem on a monthly or annual basis when requested by a electricity producer (or by the relevant NFFO / SRO purchaser). Once issued, REGOs remain in Ofgem's Renewables and CHP Register and can be transferred/ traded between parties until used.

One REGO is issued per kWh of renewable electricity generated. REGOs are rounded up or down to the nearest whole kWh. REGOs have a unique reference number representing the generating station, technology and country of origin. The REGO also states the period over which the electricity was generated.

### Trading

A REGO can be transferred (or traded) , usually between the producer (or NFFO/SRO purchaser) and the final electricity supplier or user. It is possible to trade REGO certificates separately from the electricity. REGOs do not currently have a shelf life and do not have a value in the way that ROCs or LECs do.

### Using REGOs as evidence for Fuel Mix Disclosure purposes

The main purpose of REGOs in GB is as evidence for Fuel Mix Disclosure (FMD) purposes. FMD requires that GB licensed electricity suppliers who supply electricity to customers report the percentages from different energy sources used to generate the electricity supplied to their customers. REGOs are used as the main evidence of renewable electricity generation for these purposes.

Suppliers must hold evidence of all renewable electricity supplied during the previous disclosure period running 1 April to 31 March by the following midday 1 July. The evidence must relate to renewable electricity generated during that disclosure period. This means that it is likely that if a generator is selling electricity to an electricity supplier the supplier may require the generator to provide a REGO to accompany that electricity.

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## REGOs as evidence of greenhouse gas emission reporting

Finally, REGOs are also used in the Defra/ DECC '*Guidance on how to measure and report greenhouse gas emissions*', to back claims made by organisations of electricity generated from 'owned or controlled' renewable sources within the UK<sup>3</sup>.

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<sup>3</sup> <http://www.defra.gov.uk/environment/business/reporting/index.htm>



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