



Department for  
Business, Energy  
& Industrial Strategy

# THE RENEWABLES OBLIGATION

Calculating the level of the biomass  
co-firing and conversion exempt  
combustion unit estimate for 2018/19



August 2018

## Background

1. The Renewables Obligation (Amendment) Order 2018<sup>1</sup> (The RO Amendment Order 2018) came into force in England and Wales on 20 July 2018.
2. Article 6 of the Order inserts a new Schedule 6 into the Renewables Obligation Order 2015 which provides for the introduction of annual flexible caps on the number of Renewable Obligation Certificates (ROCs) that certain RO eligible biomass co-firing and conversion stations and units not protected by grandfathering<sup>2</sup> can receive.
3. The new Schedule 6 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.
4. At *capped stations*, a cap on the number of certificates the station can be issued in each Obligation year will be set. 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.
5. For *mixed 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 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.
6. In accordance with paragraphs 3 and 5 of the new Schedule 6, the flexible caps for *capped* and *mixed generating stations* will come into effect from 1 September 2018 (i.e. the first day of the second month after the RO Amendment Order 2018 came into force).

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<sup>1</sup> A copy of the Order is at: <http://www.legislation.gov.uk/id/uksi/2018/896>.

<sup>2</sup> Grandfathering is a policy commitment that projects 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.

## Calculating the mixed generating station exempt combustion unit estimate for the 2018/19 obligation year

7. The following RO accredited generating station meets the definition of *mixed generating station* in 2018/19, as set out in the new Schedule 6<sup>3</sup>:
  - Drax Power Station, Selby, YO8 8PH
8. The station comprises two RO eligible exempt units (Unit #2 and Unit #3) and one RO eligible capped unit (Unit# 4).
9. Paragraph 5(2) of Schedule 6 requires the Secretary of State to publish the 2018/19 exempt combustion unit estimate within one month of the legislation coming into force. Paragraph 5(3) states that in making the 2018/19 the exempt combustion unit estimate the Secretary of State must rely on the same information used to calculate the overall 2018/19 renewables obligation level<sup>4</sup>.
10. This means that for 2018/19 the exempt combustion unit estimate for Drax Unit #2 and Unit #3 will be set as follows:

Table 1 - 2018/19 exempt combustion unit estimate for Drax

<b>Drax RO eligible exempt (grandfathered) units</b>	<b>Estimate of number of ROCS likely to be issued in respect of relevant electricity generated during 2018/19 obligation year used in 2018/19 obligation setting exercise</b>
Unit #2	5,096,937
Unit#3	5,096,937
<b>Total</b>	<b>10,193,875<sup>5</sup></b>

<sup>3</sup> Based on Ofgem records and the RO accredited stations list at: <https://www.renewablesandchp.ofgem.gov.uk/Public/ReportManager.aspx>

<sup>4</sup> "The Renewables Obligation for 2018/19" (September 2017) at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/648424/Renewables\\_Obligation\\_2018\\_19\\_FINAL.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/648424/Renewables_Obligation_2018_19_FINAL.pdf).

The 2018/19 obligation level was amended on 18 December 2017 to implement the exemption for Energy Intensive Industries see: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/671919/Corrected\\_Explatory\\_note\\_on\\_revised\\_2018-19\\_obligation\\_level.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/671919/Corrected_Explatory_note_on_revised_2018-19_obligation_level.pdf)

<sup>5</sup> Total figure includes rounding

11. All ROCs issued in respect of relevant electricity generated by all three of the station's RO eligible units from the start of the 2018/19 obligation year (1 April 2018) will count against the estimate.
12. Drax will receive an allowance of 125,000 ROCs for its one RO eligible capped (non- grandfathered) Unit #4.

## Capped generating stations in the 2018/19 obligation year

13. At *capped stations*, a cap on the number of ROCs that the station can be issued from 1 September 2018 to 31 March 2019 will be set equal to 125,000 ROCs for each unit at the station (see paragraph 3 of the new Schedule 6).

## Further information

14. Further information about how the flexible caps will operate at *capped* and *mixed generating stations* during the 2018/19 obligation year and in 2019/20 and future obligation years is set out in Schedule 6 of the RO (Amendment) Order 2018. Ofgem have also updated their "Renewables Obligation: Guidance to Generators" to include further details about the new cap mechanisms.<sup>6</sup>

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<sup>6</sup> Ofgem's "Renewable Obligation – Guidance to Generators" at : [https://www.ofgem.gov.uk/publications-and-updates/draft-renewables-obligation-guidance-generators-](https://www.ofgem.gov.uk/publications-and-updates/draft-renewables-obligation-guidance-generators-1)