



Department for
Business, Energy
& Industrial Strategy

RENEWABLES OBLIGATION LEVEL 2018/19

Revising the level of the Renewables
Obligation in Great Britain for 2018/19 to
implement an exemption for Energy
Intensive Industries



18 December 2017

RENEWABLES OBLIGATION LEVEL: 2018/19

Revising the Level of the Renewables Obligation in Great Britain for 2018/19 to implement an exemption for Energy Intensive Industries

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<https://www.gov.uk/government/publications/renewables-obligation-level-calculations-201819>

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Implementing an exemption for Energy Intensive Industries in Great Britain

Background

In July 2017, Government confirmed its intention to implement an exemption for Energy Intensive Industries (EIIs) from up to 85% of the indirect costs of the Renewables Obligation (RO) (subject to Parliamentary approval).¹ Implementing the exemption under the RO in England and Wales involves changing the methodology for calculating the obligation level and adjusting the scope of the obligation in the Renewables Obligation Order 2015 (ROO 2015) so that the obligation level (ROCs/MWh rate) would be applied to:

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

The Scottish Government has devolved responsibility for setting the obligation in Scotland.² The Scottish Government confirmed its intention to make equivalent changes to the methodology for setting the obligation level and the scope of the obligation in the Renewables Obligation (Scotland) Order 2009.³ This means that the exemption will be implemented on a Great Britain basis, and as under the current arrangements, BEIS will continue to publish a single obligation level for Great Britain.

The legislative amendments to the ROO 2015 and the Renewables Obligation (Scotland) Order 2009 needed to implement the exemption are now in force⁴. In addition to making changes to the calculation methodology and scope of the obligation, these set out a process for introducing the exemption, which requires the revision of the 2018/19 obligation level and provides for the exemption to be introduced from 1st April 2018 if a revised obligation level is published by 31st December 2017.

Revising the published 2018/19 obligation level for Great Britain

The UK Renewables Obligation levels for 2018/19 were published on 29 September 2017 in accordance with the Renewables Obligation 2015 (for England and Wales), the Renewables Obligation (Scotland) Order 2009 and the Renewables Obligation (Northern

¹ Government response to the consultation on implementing an exemption for energy intensive industries from the indirect costs of the RO and the FITs (July 2017) at: <https://www.gov.uk/government/consultations/implementing-an-exemption-for-energy-intensive-industries-from-the-indirect-costs-of-the-ro-and-the-fits>

² The rules on calculating the obligation level for individual suppliers in respect of electricity supplied to customers in Scotland are set out in the Renewables Obligation (Scotland) Order 2009 ("RO Scotland") as amended.

³ See the Scottish Government Response at: <http://www.gov.scot/Publications/2017/07/8547>

⁴ The Renewables Obligation (Amendment) (Energy Intensive Industries) Order 2017 at: <http://www.legislation.gov.uk/ukdsi/2017/9780111159170/contents>

The Renewables Obligation (Scotland) Amendment Order 2017 at: <http://www.legislation.gov.uk/ssi/2017/432/contents/made>

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Ireland) Order 2009. These obligation levels did not take into account the changes needed to implement the exemption⁵.

This document dated 18 December 2017 sets out the revised obligation levels for 2018/19 for England and Wales and Scotland.

This means that the exemption will be implemented in Great Britain from 1 April 2018.

- **For 2018/19 the obligation level for England and Wales and Scotland has been increased from 0.452 ROCs/MWh to 0.468 ROCs/MWh and will apply for the full obligation year (from 1 April 2018 to 31 March 2019).**

The exemption will not be introduced for the RO in Northern Ireland at this stage. However, it may be extended to Northern Ireland in future. As a devolved policy matter, this would be for a restored Northern Ireland Executive to take forward if it so decides. **Therefore, the 2018/19 obligation level for Northern Ireland remains at 0.185 ROCs/MWh.**

Further details on how the revised obligation level has been calculated are set out in the next section and in the Annex.

⁵ 'The Renewables Obligation for 2018/19' at: <https://www.gov.uk/government/publications/renewables-obligation-level-calculations-201819>

Calculation of revised Great Britain 2018/19 obligation level

Adjusting the 2018/19 published obligation level

The 2018/19 renewables obligation was published on 29 September 2017. This set the total UK obligation for 2018/19 at 129.7 million ROCs including headroom and the obligation level for Great Britain (England, Wales and Scotland) - the number of Renewable Obligation Certificates (ROCs) that electricity suppliers are required to produce - at 0.452 ROCs/MWh

Applying the revised exemption methodology set out in the in the Renewables Obligation (Amendment) (Energy Intensive Industries) Order 2017 increases the obligation level for the 2018/19 obligation period in Great Britain **from 0.452 ROCs/MWh to 0.468 ROCs/MWh**.

This revised obligation will apply for the full obligation year (1 April 2018 to 31 March 2019).

In carrying out this calculation we have estimated that the total amount of EII excluded electricity likely to be supplied to customers in Great Britain in 2018/19 is 9.9 TWh (i.e. 85% of 11.7 TWh, in line with the central scenario of BEIS' technical note on RO / FIT exempt electricity volumes published in August 2016 and updated in the Government Response to the CFD exemption published in March 2017⁶). There will be no change to the total UK obligation for 2018/19 (129.7 million ROCs including headroom) or any of the other assumptions underpinning the calculation.⁷ For further information see Annex.

⁶ See: <https://www.gov.uk/government/publications/contracts-for-difference-exemption-electricity-supply-estimates>

⁷ The total UK obligation for 2018/19 and the assumptions underpinning it are set out at: <https://www.gov.uk/government/publications/renewables-obligation-level-calculations-201819>

Annex

The following Table 1 sets out the calculation for the supplier level obligation for Great Britain and Northern Ireland with and without an exemption from the RO policy costs for the obligation year 2018/19.

The exemption calculation preserves the cost and total number of ROCs in each obligation year.

Table 1 - Adjusting the 2018/19 published obligation level

Outline of methodology used to set the 2018/19 obligation as published on 29 September 2017	Calculation of 2018/19 obligation for Great Britain (GB) and Northern Ireland as published on 29 September 2017	Calculation of revised 2018/19 obligation level for Great Britain (GB) under the revised methodology
<p><u>Calculation A:</u></p> <p>Step 1: Secretary of State (SoS) estimates total electricity supply in GB. Multiply by 0.154.</p> <p>Step 2: SoS estimates total electricity supply to Northern Ireland.</p> <p>Multiply by 0.063.</p>	<p>Electricity sales in GB = 283.7 TWh</p> <p>Electricity sales in Northern Ireland = 7.9 TWh</p> <p>For GB 283.7 TWh x 0.154 = 43.7m ROCs</p> <p>For Northern Ireland 7.9 TWh x 0.063 =</p>	<p>We estimate that out of GB total of 283.7 TWh, 11.7 TWh (85% of which is exempt) is supplied to eligible ELLs in GB; and</p> <p>7.9TWh of electricity is sold in Northern Ireland,</p> <p>Methodology for calculating the total</p>

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<p>Step 3: Add output of (1) and (2). This is calculation Auk.</p>	<p>0.49m ROCs</p> <p>Total calculation A = 43.7m ROCs + 0.49m ROCs = 44.18m ROCs</p>	<p>obligation remains the same.</p> <p>For GB 283.7 TWh x 0.154 = 43.7m ROCs</p> <p>For Northern Ireland 7.9 TWh x 0.063 = 0.49m ROCs</p> <p>Total calculation A = 43.7m ROCs + 0.48m ROCs = 44.18m ROCs</p>
<p><u>Calculation B:</u></p> <p>Step 4: SoS estimates total renewable electricity supply in UK.(E&W, Scotland and Northern Ireland)</p> <p>Step 5: Having regard to this number, SoS estimates how many UK ROCs likely to be issued. Calculate expected number of ROCs to be issued to stations expected to be operational in 2018/19 (capacity x number of hours in year x RO Banding x load factor).</p> <p>Step 6: Increase UK ROC estimate by 10%.</p>	<p>As set out in Steps 4 and 5 based on bottom up analysis we estimate UK total ROCs will be = 117.9m</p> <p>Increasing this figure by 10% as set out in Step 5 is 117.9m x 110% = 129.7m ROCs</p>	<p>Methodology for calculating the total obligation remains the same so total figure for Calculation B = 117.9m x 110% = 129.7m ROCs</p>

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<p>This is Calculation B.</p>		
<p>Step 7: Total obligation = the greater of calculation A or B.</p>	<p>Calculation B is higher so will form the supplier obligation</p>	<p>Calculation B is higher so will form the supplier obligation</p>
		<p><u>Calculation of EII excluded electricity</u></p> <p>Estimate the amount of electricity supplied to energy intensive industries which is eligible for the exemption in GB (EII excluded electricity).</p> <p>As set out above this is estimated to be 11.7 TWh * 85% = 9.9 TWh for GB in 2018/19.</p>

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Step 8: Where total obligation is calculation A, the individual supplier obligation is 0.154 ROCs/MWh in GB and 0.063 ROC/MWh in Northern Ireland.

Step 9: Where the total obligation is calculation B, the obligation level is

For GB = (Calculation B x 0.154) / calculation A.

For Northern Ireland = (Calculation B x 0.063) / calculation A

Not applicable

GB obligation level calculation = $129.7\text{m ROCs} \times 0.154 / 44.18\text{m ROCS} = 0.452$ ROCs/MWh

Northern Ireland obligation level calculation = $129.7\text{m ROCS} \times 0.063 / 44.18\text{m ROCS} = 0.185$ ROCs/MWh

To implement the exemption under calculation B:

GB obligation level calculation = $(129.7\text{m ROCs} \times 0.154) / 44.18\text{m ROCS} = 0.452$ ROCs/MWh

Northern Ireland obligation level calculation = $(129.7 \times 0.063) / 44.18 = 0.185$ ROCs / MWh

The following additional steps are required to obtain the revised GB obligation level:

(i) The GB obligation level figure is multiplied by the total estimate of electricity supplied in GB

$(0.452 \times 283.7\text{ TWh}) = 128.2\text{m ROCs}$

(ii) The output of this figure is divided by the output of the total estimate of electricity supplied in GB minus the estimate of EII excluded electricity in GB.

$128.2\text{m ROCs} / (283.7\text{ TWh} - 9.9\text{TWh}) = 0.468\text{ ROCs} / \text{MWh}$

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		<p>(iii) The NI obligation supplier level obligation remains the same at 0.185 ROCs / MWh (as NI is not currently implementing the exemption)</p>
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