



Department for
Business, Energy
& Industrial Strategy

**Estimate Of Eligible Renewables
Obligation (RO) and Feed-in-Tariff
(FIT) Exempt Electricity Volume**

Technical Note

AUGUST 2016

WITHDRAWN

This document is out of date. See the current estimates for Contracts for Difference (CFD) exemption:
<https://www.gov.uk/government/publications/contracts-for-difference-exemption-electricity-supply-estimates>

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Estimate of Eligible Renewables Obligation (RO) and Feed-in-Tariff (FIT) Exempt Electricity Volume

1. The Government announced, alongside the Spending Review 2015, that it will provide an exemption for eligible Energy Intensive Industries (EIIs) from the indirect costs of the Renewables Obligation (RO) and Feed-in Tariff (FIT) schemes, to ensure that they have long-term certainty and remain competitive. It launched a consultation on 1 April setting out how the Government proposes to implement this exemption. As part of the consultation, licensed energy suppliers asked for more clarity about the volume of electricity supplied eligible for the exemption. This note sets out the latest estimates of electricity supplied to EIIs eligible for the exemption. These estimates are also relevant for the Contracts for Difference (CfD) exemption.
2. Forecasts of potential electricity eligible for exemption from indirect RO/FIT costs are uncertain. The amount of electricity used by EIIs fluctuates each year and is influenced by how much output the business produces and their energy efficiency. Furthermore, it will also not be clear how many businesses will enter or leave the schemes in the future, though the major EIIs that Government is aware of have applied to the schemes.
3. The table below shows the estimates of eligible electricity as currently permissible under the European Commission's state aid decision based on the applications received for the RO/FIT relief schemes by the end of June 2016. The table does not include the volume of electricity of those EIIs that might become eligible under the second state aid notification that the Government has submitted to the Commission.
4. All estimates share the following assumptions:
 - Many existing applicants have been processed but for the remainder BEIS analysts have made a judgement of likely eligibility to estimate eligible electricity as of June 2016.
 - Total eligible electricity consumption for each individual business will fall by 0.7% per year. This is obtained by extrapolating the change in electricity consumption over time for the central estimate of a large EII receiving support in the supplementary tables of DECC's 2014 Estimated impacts of energy and climate change policies on energy prices and bills.¹

¹ <https://www.gov.uk/government/publications/estimated-impacts-of-energy-and-climate-change-policies-on-energy-prices-and-bills-2014>

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Table 1: Estimate of eligible electricity as currently permissible under state aid rules (without second state aid case) in annual TWh.

	2017 /18	2018 /19	2019 /20	2020 /21	2021 /22	2022 /23	2023 /24	2024 /25	2025 /26	2026/ 27
Lower	11,8	11,1	10,5	9,8	9,2	8,6	7,9	7,3	6,7	6,0
Central	14,7	14,7	14,6	14,6	14,6	14,6	14,5	14,5	14,5	14,4
Upper	16,1	16,6	17,1	17,6	18,0	18,5	18,9	19,4	19,9	20,3

5. The Lower estimate requires the following additional assumptions:
 - There will be no further applications between June 2016 and the start of the exemption in April 2017.
 - When the exemption is introduced, one eligible business with an average annual consumption of 97GWh² will leave the scheme every other month. This is the same proportion of businesses as the highest number of businesses leaving the similar EU Emissions Trading System (ETS) / Carbon Price Support (CPS) compensation scheme in a single year (2013-16).
6. The Central estimate requires the following additional assumptions:
 - From May 2016 – June 2016 BIS received an average of 5 additional eligible applications per month. It is assumed that this rate of additional applications, with businesses of average annual consumption, will continue until the end of December 2016 when the number of new applicants will fall.
 - All future years will see a net increase of two applicants with an average annual consumption every three years. This is based on the same proportional net increase in applicants as seen in the ETS/CPS compensation scheme once it had become established (2014-16).
7. The Upper estimate requires the following additional assumptions:
 - From May 2016 – June 2016 BIS received an average of 5 additional applications per month. It is assumed that this rate of additional applications, with businesses of average annual consumption, will continue until the end of March 2017.

² Consuming electricity equal to the mean average electricity consumption of existing applicants who are eligible, or are forecast to be eligible, for RO/FIT compensation.

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- All future years will see a net increase of one applicant with an average annual consumption every other month. This is the same proportion of businesses as the highest number of businesses joining the similar ETS/CPS compensation scheme in a single year once it had become established (2014-16).
8. The Government will further refine the scenarios and estimates when data change and intends to use the data in the note to inform the impact assessment published alongside the Government response to the consultation.

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