

Factsheet

Renewable Obligation Certificates (ROCs)



Homeowners and businesses who install renewable energy technologies which generate electricity could potentially qualify for an additional source of income in the form of Renewable Obligation Certificates or ROCs.

What are ROCs?

ROCs are Government sponsored credits designed to increase the proportion of the UK's electricity produced from renewable sources.

Background to the ROC

Following the introduction of the Renewables Obligation in 2002 electricity suppliers are now obliged to derive a proportion of the electricity they supply to customers from renewable sources. This proportion began at a level of 3% in 2003 and will rise incrementally to 15% in 2015. All eligible renewable generators in the UK receive 1 ROC for every 1000kWh of electricity they generate. This is a set criterion and is regardless of the size of the

installation. Each certificate can then be sold to electricity suppliers in order for them to meet their obligation. Companies that are unable or unwilling to source the required amounts have the option of 'buying out' their Obligation. The 'buy out' price is currently set at £34.30/MWh. Monies raised from companies 'buying out' in this way will be 'recycled' to companies that have met their Obligation, in proportion to the number of ROCs they presented in that year. As such ROCs have a value in excess of their buy out price. At the beginning of 2007 ROCs were trading with a value of around £40-45.

ROCs, REGOs & LECs

In addition to ROCs there are other accruable benefits available to generators of renewable electricity.

REGOs (Renewable Energy Guarantees of Origin) are used as part of an EU wide renewable electricity accreditation scheme. REGOs work alongside ROCs and are

issued on every 1kWh of renewable electricity produced. They enable generators to prove that the electricity their installation produces is renewable. Unlike ROCs, REGOs cannot be traded however suppliers may still request them from generators in order to ensure their electricity has come from a renewable source.

LECs (Levy Exemption Certificates) are only relevant to industry. They are issued by Ofgem to commercial renewable energy generators on every 1000kWh of renewable energy they produce. Under the terms of the Climate Change Levy all businesses who consume electricity generated from fossil fuels rather than renewables are charged a levy. If they use or purchase electricity with attached LECs then they are exempt from this levy.

The levy for electricity is set at 0.43p/kWh

ROCs

Issues of Eligibility

How Can I Claim ROCs?

Provided that a number of criteria can be met, homeowners and businesses with installed renewable energy technology can also be issued with ROCs for the energy they generate. Ofgem define 'Small generators' as stations generating 50kW or less. All homeowners with installed generating equipment are likely to fall into this category.

To claim ROCs it is first of all necessary to register your generating station with Ofgem (registration is free - forms available through the Ofgem website).

Technologies eligible to receive ROCs are limited to the following

- Hydroelectric
- Photovoltaic
- Wind
- Biomass*
- Wave & Tidal**

*To be considered biomass, the fuel in question must have an energy content of at least 90 per cent that is derived directly or indirectly from plant or animal matter. Biomass generating stations can use various technologies to generate renewable electricity including anaerobic digestion, combustors or internal combustion engines.

**Electricity generated from wave and tidal schemes is also eligible. In Scotland marine generation will actually command a higher ROC value than the other, more established methods of renewable generation. Commercially available wave and tidal energy devices are some way off. Currently therefore marine technology is not a viable option for householders, businesses or communities.

In addition to installing the eligible technology an approved meter (see below) must also be fitted to accurately

Measure the electricity on which the ROCs are being claimed. A list of approved meters also appears on Ofgem's website.

Assuming a successful application Ofgem will send you a letter detailing the conditions of accreditation along with your unique accreditation identification number.



Sell-and-Buy-Back Contracts

In addition to registering with Ofgem to receive ROCs, an agreement must also be entered into with your chosen electricity supplier. This is known as a "sell-and-buy-back" contract. This is necessary should you wish to claim ROCs on any electricity you generate and then use in your own property. It is a contract between the generating station (you) and your supplier.

It should be noted that the UK government is seeking to simplify the regulatory process for small scale generators looking to claim ROCs. This is likely to include the removal of the requirement for a sell and buyback agreement. Further information on timescales is not available at this time.

Once agreements with Ofgem and the local electricity supplier have been reached the generating station is now eligible to start accruing ROCs.

Receiving Your ROC

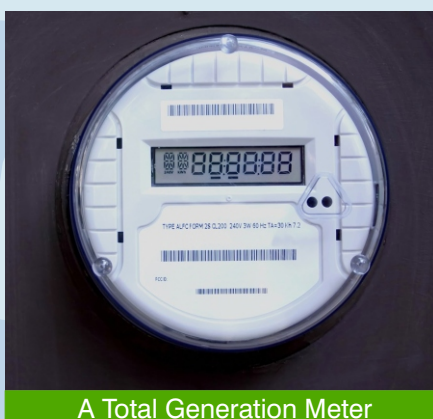
ROCs can only be issued on electricity over 500kWh of eligible output and can be received on a monthly or annual basis. As most installations would not generate this level of electricity in a month they would have to opt to receive their ROC(s) yearly.

To facilitate this, Ofgem require the gross generation details (in kWh) of your property over this period. This is done simply by submitting your meter readings to Ofgem via email.

Typically one month after receiving this data Ofgem will issue your entitlement of ROCs to the online ROC Register Account which would have been setup for you during the accreditation process. The ROC Register is an electronic, web-based system which allows you to view the ROCs you hold and to transfer them to other parties.

With the ROCs now in your online account you are then free to trade them. This is however not as easy as it sounds.

As a small scale generator you are only likely to have a very limited number of ROCs at your disposal. This is not good news for maximising their value. Trading in such small quantities is problematic due to the prohibitive administration process involved. An easier way is to have a company trade your ROCs on your behalf.



Metering

Accurate metering of your installation is very important. Ofgem require detailed information on the type of meter you have in place and of the recorded output of your technology. Regarding the meter itself, you must provide Ofgem with:

- Details of the meter type
- Whether the meter conforms to metering standards, and if so what standard
- The accuracy level of the meter
- A meter serial or identifier number

Your meter should record the total generation of your installation and any electricity exported to the grid. A list of Ofgem approved meters can be obtained by emailing renewable@ofgem.gov.uk

ROCs

Simplifying the Process

To remove the complication from the whole ROC process you may wish to consider appointing a company to do the work for you. There are a number of companies who work with small scale generators to facilitate the accreditation, administration and ROC purchase process.

Typically speaking there are two types of company you can enter into an agreement with;

- A green energy supply company - who will pay you a set amount for every kWh of renewable energy you generate (even if you use it in your own home). As part of this deal they will receive all ROCs that you accrue.
- A ROC broker - who will trade your ROCs on your behalf. The broker may give you the option to receive a pre-specified amount for your ROCs or agree a commission based contract relating to the price of the ROC sold.

Links to several such companies can be found in the Useful Links section.



Image Courtesy of Ampair

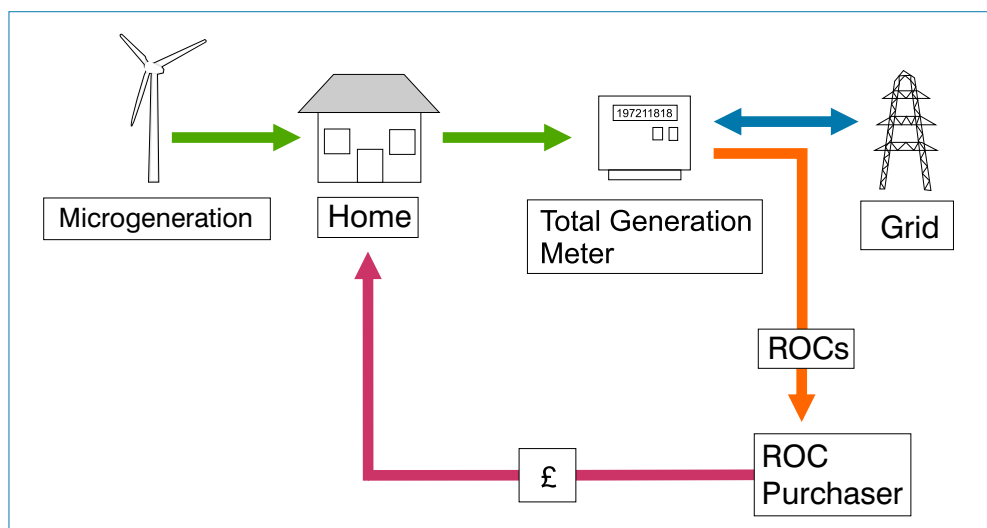
Will ROCs Make Me Rich?

Well, no... Although they will reduce the payback time of your installation. For example...

A 6kW wind turbine is installed at your property. With a good wind resource this could generate 10000kWh of electricity per year. The owner of the property would theoretically be eligible to receive ROCs on this whole amount. This would result in you accruing 10 ROCs for that year

Assuming the property owner has signed up with a ROC broker you could earn £35 per ROC. This would mean that at the end of the year you would receive an additional income from ROCs of £350. Over the course of 10 years (assuming the ROC price remains largely constant) this results in an additional income of £3500.

If the turbine cost £14,000 to install (including a 30% grant towards the capital costs) this additional income represents a reduction in payback time of 25%.



The ROC Process

All electricity generated by your renewable energy installation (either used in the home or spilled to the grid) is recorded by your total generation meter. Assuming you have registered with Ofgem you will be issued with ROCs on this amount (1 ROC per 1000kWh). The ROCs can then be transferred from your online account to your ROC purchaser from whom you will receive payment.

Useful Links

Selected ROC purchase companies:

Good Energy
www.good-energy.co.uk/home_gen_join

Smartest Energy
www.smartestenergy.com/content/home.aspx

Trade Link Solutions
www.tradelinksolutions.com

Green Energy
www.greenenergy.uk.com

Ofgem Website
www.ofgem.gov.uk