

ROCs & FITs

ROCs have been the main financial support basis for renewable energy since 2002. On 1st April 2010 FITs will be introduced and will represent the principal basis of financial support for generators up to 5MW. FITs will apply to all schemes of <50kW. For 50kW to 5MW schemes there is a one-off choice to elect for ROCs or FITs.

Renewable Obligations

The Renewables Obligation Order came into force in April 2002. It required power suppliers to obtain a specified proportion of the electricity they supply to their customers from renewable sources. Currently the government has a target of 15% of the country's energy consumption to be generated from renewables by 2020. The Obligation is guaranteed in law until 2027, although in the pre-budget report Alistair Darling indicated that the RO would be extended until 2037 for large-scale renewable electricity generation.

Those generating renewable energy are entitled to receive a Renewables Obligation Certificate (ROC) for each MWh of electricity generated. These certificates can then be sold to suppliers, in order to fulfil their obligation. Suppliers are required to produce evidence of their compliance with this obligation to Ofgem. Evidence can be via Renewable Obligations Certificates (ROCs). Each ROC represents one megawatt hour (1,000 units) of electricity generated from eligible sources. Suppliers of electricity can either provide certificates sufficient to cover the required percentage of their output, or they pay a 'buyout' price for any shortfall. All the monies received from buyout payments are distributed back to those suppliers submitting Rocs in proportion to the number they submit. The buyout price is set each year by Ofgem.



ROC Claiming & Values

To claim a ROC you must be accredited with Ofgem and the ROCs will be included on the Renewables and CHP register. Frequently the purchaser of the electricity from a renewable generating plant will also acquire the ROCs, although this is not necessarily the case. The ROC market does vary and current prices per ROC are in the order of £40 to £50.

“Double ROCs”

From 1st April 2009, certain technologies have been entitled to additional Renewable Obligation Certificates (ROCs). These technologies are deemed to require greater financial support to secure viability and sensible investment returns.

Generation Type	ROCs/MWh
Onshore Wind	1
Hydro electric	1
Offshore Wind	1.5
Dedicated biomass with CHP	2
Dedicated energy crops with CHP	2
Wave	2
Tidal	2
Anaerobic Digestion	2
Solar voltaic	2
Micro-Generation (≤50kW)	2

The government has indicated that it intends to review the banding structure and to make any changes at planned intervals to be introduced in April 2013, April 2018, and 2023. They aim to start the process of review around two-and-a-half years before the expected implementation date.

Feed-in Tariffs

In November 2008, the Energy Bill received Royal Assent to provide financial incentives to small-scale (<5MW) renewable energy systems. The proposal is that the heat incentive will be introduced a year after power tariff system, and this will represent the first heat energy generation subsidy.

The scheme provides for payments not dissimilar to ROCs for electricity and heat generated by green technologies and comes into effect on 1st April 2010 for electricity and in 2011 for heat generation. The scheme creates a significant shift in the cost/benefit of smaller scale schemes with additional income now being generated from green power generation. .

Table of generation tariffs for first year of FITs (2010-11) Technology	Scale	Proposed initial tariff (p/kWh)
Anaerobic digestion	≤ 500kW	11.5
Anaerobic digestion	> 500kW	9.0
Micro CHP (pilot)	≤ 2Kw	10.0
Hydro	<15kW	19.9
Hydro	>15–100kW	17.8
Hydro	>100kW–2MW	11.0
Hydro	>2MW - 5MW	4.5
PV	<4kW (new build)	31.0
PV	<4kW (retrofit)	36.5
PV	4-10kW	31.0
PV	10–100kW	28.0
PV	100kW–5MW	26.0
PV	Stand alone system	29.3
Wind	≤ 1.5kW	34.5
Wind	>1.5–15kW	26.7
Wind	15–100kW	24.1
Wind	>100–500kW	18.8
Wind	>500–1.5MW	9.4
Wind	500kW–5MW	4.5
Existing microgenerators transferred from RO		9.0

The consultation report produced in July 2009 details the way in which FITs are proposed to operate, and also puts forward the proposed tariff rates. In essence there are two potential payments, one for power generation (see above) and then an optional guaranteed export tariff i.e. a guaranteed payment for electricity transferred into the Grid of 3p/kWh. Alternatively generators can sell into the open market. Tariffs are to be paid for 20 to 25 years.

Power Generation as an Investment

Generating renewable power can provide an interesting investment opportunity when other options are proving to be less attractive. Given that there are grants for power generation technologies along with significantly more attractive Feed-in Tariffs, the rates of return and pay-back periods begin to look particularly interesting. We are now seeing investors looking at green energy schemes as a pure investment, where investment in single turbines rather than farms provides potentially good returns with considerably less planning issues than the larger wind farm.



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