

## Renewable Energy Incentives – Efficiency Toolkit Guidance

**Please note: The following information is for guidance only.**  
**Always log opportunities as the business sees them.**

The purpose of this document is to provide some information about the different renewable energy incentives and certification schemes, and how these fit with identifying and adding opportunities to the Efficiency Toolkit. We have provided examples for those incentives that are likely to be of most relevance when businesses are considering renewable technology opportunities.

The main certificates and incentives we have focused on are:

**Renewable Energy Guarantees of Origin (REGOs)** – This guidance should be considered if the business is switching from using electricity from the grid to generating electricity from its own renewable energy source.

**Feed-in Tariffs (FITs)** – This guidance should be considered if the business is generating electricity from its own renewable energy source and considering exporting it to the grid.

**Renewable Heat Incentive (RHI)** – This guidance should be considered if the business is considering installing renewable heat technologies, from solar thermal panels to industrial wood pellet boilers. The details of the RHI are due to be finalised by the Government soon and it is due to be launched in June 2011.

### Renewable Energy Guarantees of Origin (REGOs)

#### What are REGOs?

REGOs are electronic certificates attaching to electricity produced from renewable sources. Their main purpose is as evidence of renewable electricity production. This is particularly useful for renewable generators who are not eligible under the Renewables Obligation. Suppliers are obliged to give their customers details of the mix of fuels used to produce the electricity supplied to them, and are therefore likely to want to purchase electricity from generators with a REGO.

REGOs may be known as GoOs (Guarantees of Origin) in other EU Member States. They are issued as evidence that the electricity was generated from a 'renewable source' (as defined in the legislation) with one REGO representing one kilowatt/hour of electricity.

#### What are REGOs used for?

On 18 March 2005, under the Electricity (Fuel Mix Disclosure) Regulations 2005, a new standard licence condition (SLC 30A) was introduced into electricity supply licences.

The new licence condition obliges electricity suppliers to give their customers details of the mix of fuels used to produce the electricity supplied to them. Suppliers must show this on their bill, together with certain environmental information.

REGO/GoOs issued by a recognised body from one of 25 EU Member States are the primary evidence for the identification of supply as coming from a renewable source.

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## Who can apply for REGOs?

Only the producer of the electricity may request the issue of a REGO. REGOs are issued electronically to Registered Holders, by means of the Renewables and CHP Register.

For more information visit:

<http://www.ofgem.gov.uk/Sustainability/Environment/REGOs/Pages/REGOs.aspx>

[http://www.decc.gov.uk/en/content/cms/what\\_we\\_do/uk\\_supply/energy\\_mix/renewable/explained/microgen/strategy/green\\_cert/green\\_cert.aspx](http://www.decc.gov.uk/en/content/cms/what_we_do/uk_supply/energy_mix/renewable/explained/microgen/strategy/green_cert/green_cert.aspx)

## Business Opportunity Example

*On-site renewables opportunity - Business is considering installing a wind powered turbine on-site to generate electricity*

Based on guidance from Defra you can account for renewable electricity generated at zero emissions in Scope 1 when the organisation is generating electricity from 'owned or controlled' renewable sources backed by Renewable Energy Guarantees of Origin (REGOs).

### Considerations for Efficiency Toolkit entry:

Is the renewable source of energy being installed 'owned or controlled' by the business and backed by the Renewable Energy Guarantees of Origin (REGOs) scheme?

### YES

If the electricity generated by the renewable energy source is replacing electricity previously purchased by the business from the grid, this can be classed as a **Resource Reduction of electricity**. You will need to have the cost per kWh electricity that the business pays to purchase electricity from the grid and the amount kWh electricity purchased from the grid per annum that is being replaced by on-site renewable generation to give the CO<sub>2</sub>e saving.

In addition, for the same opportunity the switch to electricity generated from a renewable energy source can be classified as a **Substitution to on-site renewables**.

When reporting cost and CO<sub>2</sub>e savings, substitution is reported as a sub-set to the savings made from resource reduction to remove any double counting. Cost saving and/or capital cost can be included for Resource Reduction or Substitution.

### NO

If the renewable energy source is not backed by the Renewable Energy Guarantees of Origin (REGOs), following Defra guidelines, this cannot be recorded as a definite reduction in electricity as the renewable energy source has not been certified. In the Toolkit we would recommend that this be recorded as a **Substitution of electricity to on-site renewables**, as this will enable you to record the cost saved per kWh electricity and the number of kWh substituted per annum. The main difference between recording the saving in this way, rather than for a renewable energy source backed by the Renewable Energy Guarantees of Origin (REGOs), is that no CO<sub>2</sub>e savings will be calculated, which is in-line with Defra guidance. Cost saving and/or capital cost can be included for Resource Reduction or Substitution.

## Feed-in Tariffs (FITs)

### What are FITs?

The Department of Energy and Climate Change (DECC) has used powers in the [Energy Act 2008](#) to introduce a system of feed-in tariffs to incentivise small scale (less than 5MW), low carbon electricity generation.

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These feed-in tariffs work alongside the Renewables Obligation (RO), which will remain the primary mechanism to incentivise deployment of large-scale renewable electricity generation, and the Renewable Heat Incentive (RHI) which will incentivise generation of heat from renewable sources at all scales.

### **When will FITs start?**

The FITs scheme went live on 1 April 2010. Through the use of FITs DECC hope to encourage deployment of additional low carbon electricity generation, particularly by organisations, businesses, communities and individuals who are not traditionally engaged in the electricity market. This “clean energy cashback” will allow many people to invest in small scale low carbon electricity, in return for a guaranteed payment both for the electricity they generate and export.

For more information visit:

[http://www.decc.gov.uk/en/content/cms/what\\_we\\_do/uk\\_supply/energy\\_mix/renewable/feedin\\_tariff/feedin\\_tariff.aspx](http://www.decc.gov.uk/en/content/cms/what_we_do/uk_supply/energy_mix/renewable/feedin_tariff/feedin_tariff.aspx)

### **Business Opportunity Example**

*A business is looking to install a wind turbine. Energy generated by wind turbines benefit from the FIT which is set at 26.7p per kWh of energy generated.  
Including the FIT within the opportunity on the Toolkit reduces the payback for the installation by approximately 22 years based on current calculations*

### Considerations for Efficiency Toolkit entry:

There are 2 things to consider when including an opportunity where the business is installing a renewable energy source:

Firstly, it is recommended that you consider the energy saved by the business switching to using its own on-site renewable energy generated on-site. Please refer to the section headed Renewable Energy Guarantees of Origin (REGOs) for guidance on how to record this.

Secondly, there is the income generated by the business taking advantage of the feed-in tariff (FIT). We recommend that the additional revenue that the business will receive as a result of benefiting from using the FIT be entered into the Toolkit for the opportunity as a **Resource Reduction – cost only**. This makes the distinction between the cost and units saved by switching to renewables and the income generated by the business participating in the FIT.

## **Renewable Heat Incentive (RHI)**

### **What is the Renewable Heat Incentive (RHI)?**

As announced on 20 October 2010, as part of the Spending Review, the Renewable Heat Incentive (RHI) will go ahead in 2011. The scheme will provide long term support for renewable heat technologies, from household solar thermal panels to industrial wood pellet boilers.

### **When will the RHI start?**

The government expects to be in a position to announce the details of the scheme, including RHI tariffs and technologies supported, before the end of this year, and be open for business from June 2011.

For more information visit:

[http://www.decc.gov.uk/en/content/cms/what\\_we\\_do/uk\\_supply/energy\\_mix/renewable/policy/renewable\\_heat/incentive/incentive.aspx](http://www.decc.gov.uk/en/content/cms/what_we_do/uk_supply/energy_mix/renewable/policy/renewable_heat/incentive/incentive.aspx)

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## Business Opportunity Example

*A business is considering installing solar thermal panels to reduce their fuel oil use and also making them eligible for the Renewable Heat Incentive scheme.*

### Considerations for Efficiency Toolkit entry:

Again, the first thing to consider is whether there has been a resource saving before considering any income generated. In this case the first saving inputted for the opportunity would be the reduction in fuel oil use.

The next thing to consider is the income generated by the business participating in the scheme. As the RHI will not be starting until June 2011 and tariffs are yet to be announced, we would recommend not including any income generated by participating in the RHI scheme for the opportunity until the scheme is live. The business may find it worthwhile for any notes to be included about the impending RHI and the impact this may have on any payback period to be included at this stage. At the point that the RHI scheme is launched, the income generation can be included for the opportunity as a **resource reduction – cost only**.

In addition, for the same opportunity the switch to heat generated from a renewable energy source can be classified as a **Substitution to on-site renewables**.

When reporting cost and CO<sub>2</sub>e savings, substitution is reported as a sub-set to the savings made from resource reduction to remove any double counting.

## Other Green Energy Certificates

### Renewables Obligation Certificates (ROCs)

Generators of all sizes can claim ROCs for every megawatt hour (MWh) of renewable electricity they generate. Different renewable generating technologies receive different numbers of ROCs/MWh, and all microgenerators (up to 50kW capacity) receive 2 ROCs/MWh, regardless of technology. Generators can sell their ROCs to suppliers to receive a premium on top of their electricity.

### Levy Exemption Certificates (LECs)

Generators can also claim one LEC for each 1MWh produced. They can sell these to suppliers, who use them to prove that they have supplied non-domestic customers with renewable electricity.

Both ROCs and LECs are likely to be less common than Feed-in Tariffs, however they should be treated the same way and entered into the Toolkit for any resulting opportunity as a **Resource Reduction – cost only**.

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