

POLICY NOTE

THE RENEWABLES OBLIGATION (SCOTLAND) AMENDMENT ORDER 2018

SSI 2018/

The above instrument was made in exercise of the powers conferred by sections 32, 32A and 32K of the Electricity Act 1989. The instrument is subject to affirmative procedure.

Policy Objectives

Renewable Energy Support Schemes

The Renewables Obligation (Scotland) (ROS) was introduced in 2002, alongside an equivalent Order covering England and Wales (the RO), and, later, Northern Ireland. It was designed to provide incentives to invest in large scale renewable electricity projects in the UK. Smaller scale generation is mainly supported through the Feed-in Tariffs (FIT) scheme. Such initiatives have supported a year on year increase in installed renewable capacity and generation in Scotland - in 2017, 68% of gross electricity consumption was met by renewable sources, up 14 percentage points on the previous year.

The Renewables Obligation commits UK electricity suppliers to source an increasing proportion of the electricity they supply from renewable sources. Operators of accredited renewable generating stations are issued Renewable Obligation Certificates (ROCs) – or SROCs in Scotland - for the eligible renewable electricity they generate, which can then be traded with other parties. Ultimately, ROCs and SROCs are used by suppliers to demonstrate that they have met their obligation.

Purpose of this Order

Following the closure of the UK ROs to new generating capacity in March 2017, rules were created to allow generators to add capacity – which is not eligible for SROCs – known as ‘excluded capacity’. However, article 17(4) of the Renewables Obligation (Scotland) Order 2009 has the effect of limiting the ability of accredited hydro stations to deploy excluded capacity where that takes the Declared Net Capacity (DNC) of any such station above 20 MW.

This Order will amend the Renewables Obligation (Scotland) Order 2009 to permit additional “excluded capacity” at specified hydro generating stations located in Scotland. Operators of any such stations who choose to increase declared net capacity (DNC) beyond the current 20 MW threshold will be able to retain eligibility for SROCs in respect of electricity generated by their original ROS accredited capacity only. Such operators will not receive any SROCs for the electricity generated by the “excluded” capacity.

As the ROS is now closed to new capacity (subject to certain grace periods), this Order will only affect stations with existing accreditations. It applies to all existing and accredited ROS hydro generating stations below 20 MW DNC and will bring arrangements for hydro generating stations in line with all other technologies.

It is intended to secure as much renewable generation in Scotland as possible, in line with targets set in the Scottish Government's Energy Strategy¹ (published in December 2017), while creating no additional costs for consumers.

Consultation

To comply with the requirements of section 32L(1)(1) of the Electricity Act 1989, a public consultation took place from 21 March 2018 to 12 June 2018.

All respondents to the consultation were broadly supportive of the proposed amendment. Two respondents raised concerns relating to the environmental impact of larger hydro generating stations. These have been considered and existing environmental protection measures have been deemed to be sufficient. In its response, Ofgem confirmed that, in order for hydro generating stations to retain their current SROC eligibility, separate metering would need to be installed to capture the additional excluded electricity generated (or, if this is not an option, the total output of the station will need to be pro-rated across the original accredited and additional excluded capacity).

A full list of those who responded to the consultation, and who agreed to the release of their response, is attached to the consultation report published on the Scottish Government website. Responses were received from Ofgem, Scottish Renewables, and Scottish Power, among others.

Impact Assessments

The potential impacts of increased hydro electricity generation capacity in Scotland, which may occur as a result of the amendments enacted by the Order, have been assessed in regard to i) electricity generation from renewable sources; ii) greenhouse gas emissions; and iii) cost. The outcomes are presented in a technical note² which was attached to the public consultation document.

We have also considered the impact that the amendment will have on the environment and statutory consultees. A Strategic Environmental Assessment (SEA) was not deemed necessary.

Financial Effects

The introduction of additional hydro generation is not expected to result in any changes to the cost of electricity within the energy system.

The Minister for Energy, Connectivity and the Islands has confirmed that no BRIA is necessary as the instrument has no significant financial effects on the Scottish Government, local government or on business.

Scottish Government
Energy and Climate Change Directorate

August 2018

¹ <https://www.gov.scot/energystrategy>

² <https://www.gov.scot/Resource/0053/00533016.pdf>