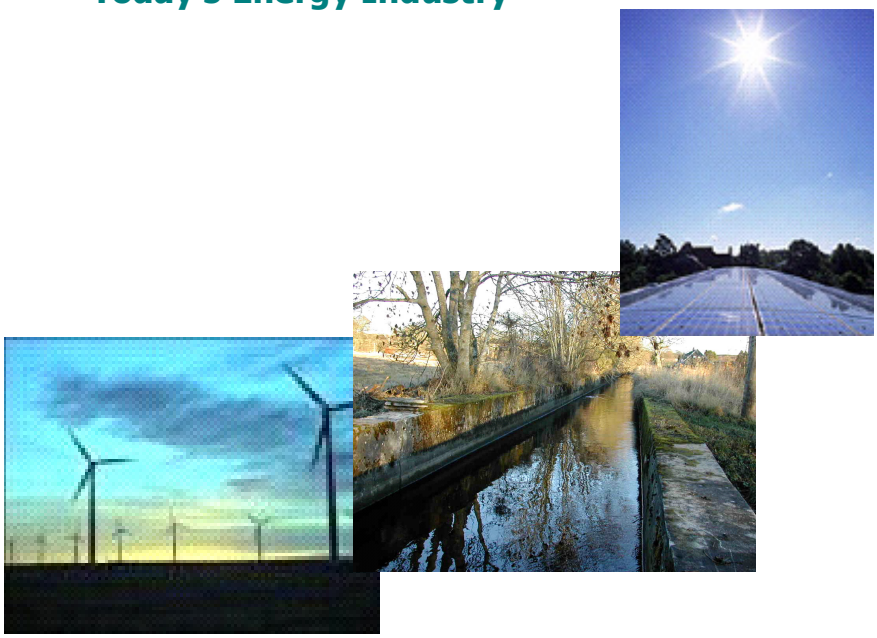
**Modern Services**
**for**
**Today's Energy Industry**



## Who are TradeLink Solutions?

TradeLink Solutions Ltd (TLS) was established in 1997 to provide independent consultancy services in the gas, electricity and "green" market. Over time we have expanded to provide energy training courses as well as developing and owning a portfolio of hydro generating stations.

Today we offer a range of services to a diverse customer base, which includes the major multinational oil and gas producers, electricity Generators and retailers and financial institutions in the City, as well as smaller firms operating in the 'green' market.

We specialise in providing "green services" to renewable Generators who may find it difficult to obtain fair market prices for their Renewable Obligation Certificates (ROC's) and electricity from larger electricity suppliers. These services include:

- Accreditation of the generation site with Ofgem,
- Establishment of a buy and sell back agreement for on site generation accreditation,
- Purchase and resale of ROC's, LEC's (if applicable) and electricity,
- Monthly administration with Ofgem to enable claiming of ROC's and LEC's,
- Commercial advice for larger Generators regarding contract structures and long term power purchase agreements.

**What is the Renewables Obligation and what are Renewable Obligation Certificates?**

In 2002 the Government introduced the Renewables Obligation Order (2002) ("The Order") to encourage the development of renewable energy within the UK to help reduce Carbon Emissions.

The scheme works by placing an annual obligation on all electricity suppliers in the UK to demonstrate to the Government that they have purchased a percentage of their electricity from Renewable Sources. The percentage obligation increases each year as detailed in Appendix 1 below. Suppliers demonstrate their obligation by declaring "Renewable Obligation Certificates" (ROCs) to Ofgem who administer the scheme. ROCs are awarded to renewable Generators who are accredited with Ofgem. For every MWh of renewable energy produced Ofgem award 1 ROC to the Generator. The electricity suppliers therefore have the option to meet their obligations by either buying ROCs from Generators, from the market place, develop their own Renewable Plant or pay the Buy-Out price for that relevant year. (See Below)

**Appendix 1**

| OBLIGATION PERIOD | % OF TOTAL SUPPLIES |
|---|---|
| 1st April 2006 to 31st March 2007 | 6.7 |
| 1st April 2007 to 31st March 2008 | 7.9 |
| 1st April 2008 to 31st March 2009 | 9.1 |
| 1st April 2009 to 31st March 2010 | 9.7 |

**How much is a ROC worth?**

The Government set the value of a ROC at £30 in 2002 when the Order was introduced. This price increases each year with inflation and for this year (April '06 to March '07) the price is £33.24. This is called the "Buy Out" price. However, ROCs are bought and sold in the market place by large Generators, traders and electricity suppliers. The market price for a ROC does vary on a daily basis but the current traded market price is higher than the Buy-Out price. As more renewable energy is developed it is expected that the market value of a ROC will decrease.

Therefore if you are a renewable Generator and are accredited with Ofgem to receive ROCs for every MWh of electricity you generate, such ROCs can be sold in the market place. The easiest way to do this is through an aggregator like TradeLink Solutions Ltd.

**How do I become accredited and how can TradeLink Solutions Ltd help?**

Any Generator can establish with Ofgem if their station is eligible under the criteria detailed in the Order or they can ask TradeLink Solutions Ltd (TLS) to do this for them.
TLS can progress an application by acting as an Agent for a client for a small one-off fee of £85. This fee covers the administration process and the requirement

to send in monthly (over 50kW) or annual (under 50kW) meter readings to Ofgem[1].

**My plant is very small (below 50kW capacity) - Is my plant still potentially eligible for ROC's?**

An amendment to the RO in April 2004 now allows any size of Generator to be potentially eligible for ROCs. For those Generators of 50kW capacity or less Ofgem will award them ROCs on an annual basis, if they are eligible and accredited.

The electricity generated by the station is potentially eligible for ROCs if it is used in any one or all of the following ways:

1. All or part of the electricity generated is **exported to the Grid,**
2. All or part of the electricity is used by the operator of the plant for their **own use on site.** This may be for supplying their home, farm or a factory or warehouse, or
3. The electricity is supplied via a private network to **a third party** on the Generators site; this may be a person who rents a property on the land such as a house or farm.

If the electricity supply falls under 2 or 3 then TLS (or any licensed supplier acting on behalf of the Generator) will become eligible to Ofgem for the annual percentage obligation under the Renewables Obligation (see Appendix 1). This will mean that TLS will need to settle this obligation in cash on an annual basis and TLS will deduct this sum of money from the sale of the annual ROCs awarded to each Generator.

**What is the process for getting a Generator accredited for ROCs by TLS?**

TLS complete the accreditation form on behalf of the owner of the renewable generating station. Certain site specific information is needed for the application but we liase with the Generator to make sure this is all accurate and complete. The Generator is required to sign a number of declarations on the back of the accreditation application.

The metering of the generating site is very important. Ofgem require detailed information on the metering of the output from the site which includes the following:

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

Metering detail is required for both the meter that records total generation from a turbine and for any electricity exported to the grid. A grid connection meter will always have an MPAN number. Your local Distribution Network Operator will notify this to you. All meters used must be must be certified by Ofgem and contained on their approved meter list [2].

Once a site is accredited, Ofgem will send the Generator their RO ID number. This is the Generators unique number that confirms they are accredited under the renewable obligation.

**What is a Sell and Buy Back Agreement?**

If the site is an "eligible own use Generator" (Usage 2) The Generator is required to have in place what is called a "Sell and Buy Back Electricity Agreement". As TLS is a licensed electricity supplier we can put this contract in place between TLS, acting as the holder of the electricity licence, and the Generator. This document states that the electricity generated by the renewable plant is sold to TLS (as the electricity supplier) and then simultaneously TLS sell this back to the Generator for the Generators eligible own use. In practice this does not occur as the Generator simply supplies the electricity to himself for his own use. However, under the RO legislation the Generator must have his electricity supplied by a licensed supplier to make that electricity eligible for ROCs, hence the need for the Sell and Buy Back Agreement.

A Copy of this agreement plus the confirmations that detail the names and addresses of the parties, the volume of electricity sold and the price applying to that electricity are then sent to Ofgem. Many customers get confused between the price we are paying them for the ROCs and the prices detailed in the Buy and Sell Back

[1]The questionnaire and associated guidance documents can be found on Ofgem's web site at: http://www.ofgem.gov.uk/ofgem/work/index.jsp?section=/areasofwork/renewobligation

[2] A list of all meters certified by Ofgem can be found on the Ofgem website at http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11526_Sched_4_Final_2005_Ver2(spreadsheet).pdf

Agreement for electricity. The Buy and Sell Back Agreement is an administrative necessity and as the price of the electricity detailed in the contract is applied to both parties the transaction cancels itself out so no money (or electricity) changes hands[3]. The Buy and Sell back is in no way related to the ROCs. The ROC price agreed between the Client and TLS is detailed within a separate agreement.[4]

**What are LECs and REGOs?**

An accreditation with Ofgem also covers Levy Exemption Certificates (LECs) and Renewable Energy Guarantee of Origin (REGO). If the Generator exports some or all of his electricity then we can help arrange a supply contract with a "green" supplier called Green Energy. Green Energy will buy the LECs from the Generator at a value of approximately £3 per LEC. Ofgem issues one LEC for every MWh of renewable electricity generated. All industrial customers who consume "brown" electricity generated from Fossil Fuels rather than "green" renewable electricity are charged a levy for this electricity. If customers purchase green electricity with attached LECs then they do not pay the levy.

A REGO has no value at present but it is envisaged that within the next few years REGOs will be important so we advise that the Generator keep the REGO in a safe place once Ofgem provides it.

**What does Accreditation mean?**

Once the site is accredited then TLS will require the Generator to provide them with the following:

- a copy of any documentation sent to the Generator by Ofgem,
- monthly/annual meter readings from the site.

The time taken for Ofgem to process the application depends on the complexity of the application and the clarity and completeness of the information provided.

**What Commercial Options are available?**

TLS offer two types of contract for small Generators.

- A fixed price contract at £33 per ROC
- A commission based contract relating to the price of ROCs sold in the market place at any given point in time. The percentage commission is 20% for smaller scale Generators.

More site specific commercial deals are available to Larger Generators which take into account the capacity of the station as well as market rates for ROC, LEC, TRIAD and electricity output.

The duration of commercial arrangements with TLS are open to agreement between both parties. However, as a general guide smaller Generator arrangements are usually for a period of 5 years and between one and five years for larger Generators.

Contact Details for TLS

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**To summarize, our services include:**

- Accreditation of the generation site with Ofgem,
- Establishment of a buy and sell back agreement for on site generation accreditation,
- Purchase and resale of ROC's, LEC's (if applicable) and electricity,
- Monthly administration with Ofgem to enable claiming of ROC's and LEC's,
- Commercial advice for larger Generators regarding contract structures and long term power purchase agreements.

[3] As TLS is VAT registered any invoice issued must include VAT at 17.5% for generation over 12,000kWh or at 5% for generation under 12,000kWh per annum.
[4] See the sign up form enclosed