

The Domestic Renewable Heat Incentive (RHI)

BEIS RHI Consultation Results - December 2016

Following on from the 'first stage' reform that was implemented at the end of March 2016 the Government has been consulting on the second stage of **'a reformed and refocused scheme'** for the RHI since March of this year. The response to this consultation was published by BEIS last week.

In her ministerial foreword to the response Baroness Neville-Rolfe DBE CMG reminds us that **'producing heat accounts for almost half of UK energy use and a third of UK carbon emissions,'** a statement that impressively sets the scene for the importance of this release. It's no secret this response had been expected for some weeks. We are also reminded in the foreword that it is **'vital that the scheme delivers value for money for taxpayers and supports the development of technologies that will be important for the long term.'**

BEIS' response to this consultation has delivered some positive results for the sector and focuses on the long-term decarbonisation of the UK through supporting supply chain growth and challenging the market to deliver, however this is tempered with the need to ensure value for money and consumer protection.

Below we have summarised the key points of for the Domestic Scheme taken from the BEIS document:

HEAT PUMPS

- The tariffs for new ASHPs and GSHPs will be increased from the current level of **7.51p/kWh** to **10.02 p/kWh** and from **19.33p/kWh** to **19.55p/kWh** respectively.
- Alongside this there are to be annual limits to the level of heat use or **'heat demand limits'** set at 20,000kWh for ASHPs and 30,000kWh for GSHPs.
- Payments will continue to be made only on the renewable proportion of the heat demand, in line with the current rules. So for a system with a COP of 3 – two thirds of the heat is renewable and one third is electricity supplied.
- All new ASHPs and GSHPs applying for support under the scheme will be **required to have electricity metering** to monitor their heating system. However, payments will continue to be on the basis of the deemed heating requirements of the property, except for second homes and where a renewable heating system is installed alongside another heating system, in which cases payments will continue to be on the basis of heat metering.
- GSHPs making use of a **shared ground loop** will continue to be eligible for the **non-domestic scheme** and will not be eligible on the domestic scheme.

BIOMASS

- 'The tariff for new biomass installations on the domestic scheme will be **increased to 6.44p/kWh** (the current tariff is 4.68p/kWh). This is equal to the tariff available between October and December 2015, adjusted for inflation applicable from April 2016.'
- The 'heat demand limit' will be set at **25,000kWh**.

SOLAR THERMAL

- The tariff will remain at the current level of **19.74p/kWh** and there will be no other changes to terms of support for solar thermal systems.

ASSIGNMENT OF RIGHTS

- This reform will make way for new financing models to develop – for example, where a household receives a free or substantially reduced-cost heating system from a third party in return for assigning their rights to RHI payments to this third party.
- Domestic consumers will have the option to finance their installations through 'assignment of rights,' however **this will be delivered at later date** to provide extra time to implement adequate consumer protection.
- 'Assignment of rights allows the householder to assign their right to RHI payments to a third party that has paid for all, or part, of their renewable heating system. The householder will still own the heating system.'
- Investors would need to register with Ofgem and would also be required to be a member of a recognised consumer code, approved by the Chartered Trading Standards Institute (CTSI) under the Consumer Codes Approval Scheme.

BUDGET MANAGEMENT

Growth triggers will be added to the mechanisms for depression.

- Where estimated spend in relation to a specific technology is above the relevant 'technology trigger' and growth in estimated spend is above the 'growth trigger' (including above the 'super growth trigger') there will be a 10% depression.
- Where estimated spend in relation to a specific technology is above the relevant 'technology super-trigger' and growth in estimated spend is above the 'growth trigger', but less than the 'super-growth trigger' there will be a 10% depression.
- Where estimated spend in relation to a specific technology is above the relevant 'technology super-trigger' and growth in estimated spend is above the 'super-growth trigger', there will be a 20% depression.
- In all other circumstances there will be no depression. This means, for example, that if estimated spend for a specific technology is above the technology trigger or above the super-trigger, but the growth trigger or the super-growth trigger are not exceeded, there will be no depression.