



Renewable Heat Incentive (RHI) budget cap

In the 2015 Autumn Statement the Government announced the continuation of the RHI for the 2016-21 Spending Review period with the introduction of a budget cap, which allowed it to close the scheme to new applications at short notice if it determined that there was a risk of the scheme overspending. The budget cap was introduced from 1 April 2016 and covered the combined expenditure from both the Non-domestic and Domestic schemes. Further details were set out in the [RHI consultation](#) and in the [Government response](#).

As the Non-domestic RHI scheme closed to new applicants on 31 March 2021 it was removed from the budget cap, and after the Domestic RHI scheme also closed to new applicants on 31 March 2022, it is also no longer subject to it.

This publication is in addition to [our regular publications on RHI deployment statistics](#), to provide data on estimated in-year expenditure for plants supported by the scheme and to provide an overview of RHI budget caps. The Appendix sets out key elements of the methodology used in these forecasts.

Current financial commitment

In this document, we provide monthly updates of estimated in-year expenditure for those plants supported by the scheme as at the end of the previous month.

These assessments show, based on data from the end of the previous month, the estimated in-year expenditure for each year from 2011/12 to 2021/22. It also takes account of the potential for individual installations to incur a different level of financial commitment in different years – for instance, a plant accredited part way through this financial year will represent less expenditure in this year than it will in future years.

The data in tables 1a to 1c below are an estimate of the spend we have committed to, for applications and accreditations received up **to end of April 2022**.

Table 1a: Total RHI committed spend, 2011/12 to 2015/16 (prior to the introduction of budget caps)

	11/12	12/13	13/14	14/15	15/16
Current estimate of committed spend	£1m	£16m	£53m	£168m	£366m
<i>Non-domestic</i>	£1m	£16m	£53m	£145m	£289m
<i>Domestic</i>	NA	NA	NA	£23m	£77m
Cumulative committed spend	£1m	£17m	£70m	£239m	£604m

Figures may not sum due to rounding

Table 1b: Total RHI committed spend and budget cap, 2016/17 to 2020/21

	16/17	17/18	18/19	19/20	20/21
Budget cap	£640m	£780m	£900m	£1010m	£1150m
Current estimate of committed spend	£522m	£686m	£766m	£846m	£917m
<i>Non-domestic</i>	£431m	£580m	£648m	£713m	£769m
<i>Domestic</i>	£91m	£105m	£118m	£133m	£148m
Cumulative committed spend	£1,126m	£1,812m	£2,578m	£3,423m	£4,340m

For 2021/22 there was only a budget cap for the domestic RHI, as the non-domestic RHI closed to new applicants on the 31 March 2021. The domestic RHI budget cap for 2021/22 was **£155m**. The table below (1c) gives the current estimated committed spend for domestic as well as non-domestic RHI.

Table 1c: Total RHI committed spend 2021/22

	21/22
Current estimate of committed spend	£992m
<i>Non-domestic</i>	£849m
<i>Domestic</i>	£143m
Cumulative committed spend	£5,332m

From 2022/23 onwards budget caps are not required as both RHI schemes have closed to new applicants. The table below (1d) gives the current estimated committed spend for domestic and non-domestic RHI.

Table 1d: Total RHI committed spend 2022/23

	22/23
Current estimate of committed spend	£1,082m
<i>Non-domestic</i>	£970m
<i>Domestic</i>	£112m
Cumulative committed spend	£6,414m

Previous estimates of committed spend.

The table below provides a summary of the previous monthly estimates for the last year using the current methodology to show how the estimates of committed spend are changing over time.

Variations in estimated spend from the previous months' publications can be due to a variety of factors. There may be revisions to load factor estimates based on new information being received. There may also be applications which have become inactive so would no longer be counted towards the committed spend, or delays to the expected commissioning dates of Tariff Guarantee applications. Additionally, large individual plants can have significant impacts on the spend for current year estimates if, for example, a quarterly meter reading is much higher or lower than expected.

Table 2: Total RHI committed spend, monthly updates, for the last 12 months

Estimates of committed spend	16/17	17/18	18/19	19/20	20/21	21/22	22/23
Data to end of Apr 2022	£522m	£686m	£766m	£845m	£917m	£992m	£1,082m
Data to end of Mar 2022	£522m	£686m	£766m	£846m	£917m	£991m	
Data to end of Feb 2022	£522m	£686m	£766m	£846m	£917m	£992m	
Data to end of Jan 2022	£522m	£686m	£766m	£846m	£917m	£998m	
Data to end of Dec 2021	£522m	£686m	£766m	£846m	£917m	£1,000m	
Data to end of Nov 2021	£522m	£686m	£766m	£846m	£919m	£1,005m	
Data to end of Oct 2021	£522m	£686m	£767m	£846m	£922m	£1,010m	
Data to end of Sep 2021	£522m	£686m	£767m	£847m	£923m	£1,009m	
Data to end of Aug 2021	£522m	£687m	£768m	£853m	£930m	£1,014m	
Data to end of Jul 2021	£523m	£688m	£769m	£853m	£931m	£1,018m	
Data to end of Jun 2021	£523m	£688m	£774m	£859m	£940m	£1,029m	
Data to end of May 2021	£523m	£688m	£774m	£860m	£945m	£1,038m	

Tariff Guarantees, and Non-Tariff Guarantee Extension and Modified Capacity Applications

Budget allocations and inflation estimates

Tariff Guarantees

A Tariff Guarantee provides investment certainty to larger projects which are crucial to delivering the Net Zero target. In accordance with regulation 35(14) of the RHI scheme Regulations 2018, BEIS is required to publish the budget allocation for Tariff Guarantees (TG) and estimates of inflation for future financial years. These figures can be found in tables 3a and 3b.

Please note that the Tariff Guarantees budget allocation for 2021/22 and 2022/23:

- will not include applications made before 20th July 2020.
- is technology specific as set out in the [Notice on Changes to RHI Support and COVID-19 Response](#).

COVID-19 Extension

In November 2020, the Government announced that it would provide an extension for non-TG eligible projects impacted by COVID-19 related delays that had invested resource into project development prior to 17 August 2020 (the date of the Notice that initially announced these proposals). In accordance with regulation 3C(1) and 3C(2) of the RHI scheme Regulations 2021, BEIS is required to publish the budget allocation for this mechanism, covering extension applications for the 2022/23 financial year. These figures are in table 3c.

Shared Ground Loop Modified Capacity

In accordance with regulation 52B(2) of the RHI scheme Regulations 2021, BEIS has determined and published a budget allocation, an estimate of inflation and load factors for shared ground loop modification of installation capacity for 2021/22 and 2022/23.

Further, as announced on 23 February 2022, the Government will introduce 2022/23 budgets for modification of shared ground loop capacity on a sectoral basis, with one budget for 'domestic' applications and one for 'other' applications. In addition, the 2022/23 budget allocation is set based on the expected total value of the additional capacity from modifications. The 2021/22 budget allocation of £15m covered all applications and covered the total expected expenditure on overall post-modification capacity of installations, including the capacity before increase.

Shared Ground Loop Modified Capacity budget cap figures can be found in Tables 3d and 3e.

Depending on the latest deployment data and forecasts, the Tariff Guarantee, the Non-Tariff Guarantee Extension budget and Shared Ground Loop Modified Capacity allocations for any current or future financial year may be reviewed and increased.

Table 3a: Tariff Guarantee budget allocation – 2020/21 (for all applications)

2020/21	
Budget allocation	£150m

Table 3b: Tariff Guarantee budget allocation (for applications made from 20th July 2020)³

Financial Year	Bio-methane	Ground or Water Source Heat Pumps (updated 01/02/2021)	Other Tariff Guarantee supported tech
2021/22	£5m	£17m	£7m
2022/23	£12m	£28m	£9m

Table 3c: Non-Tariff Guarantee Extension Applications budget allocations

Financial Year	Biomass (<1MWth) (updated 5/5/21)	GSHPs (<100kWth)	All other non-TG eligible technologies (updated 1/3/22)	Total
2022/23	£4.9	£3.6m	£1.3m	£9.8m

Table 3d: Shared Ground Loop Modified Capacity budget allocation 2021/22

Financial Year	Total
2021/22	£15m

Table 3e: Shared Ground Loop Modified Capacity budget allocation 2022/23

Financial Year	Domestic	Other	Total
2022/23	£4m	£1m	£5m

Inflation Estimates

Inflation estimates in table 3f are used to calculate the affordability of Tariff Guarantee applications made from 20th July 2020. From 1st March 2021 the inflation rates used from 8th Feb 2021 are also used to calculate the affordability of Non-Tariff Guarantee Extension Applications. Inflation estimates are updated when the OBR or the ONS publish new figures. Earlier inflation rates have been retained in the table for reference.

Table 3f: Inflation estimates used to determine Tariff Guarantee, Non-Tariff Guarantee Extension and Modified Capacity Applications affordability – 2021/22 and 2022/23 (for Tariff Guarantees applications made from 20th July 2020, Extension applications from 1st March 2021 and Modified Capacity applications from 1 April 2021).

Financial Year	Estimate of CPI inflation used until 15/12/20 ¹	Estimate of CPI inflation used 15/12/20 to 7/2/21 ²	Estimate of CPI inflation used from 8/2/21 ³
2021/22	1.4%	0.5%	0.6%
2022/23	2.0%	1.4%	1.4%

¹ Tariff Guarantee applications made between 20th July 2020, when the third allocation of Tariff Guarantees started, but before 15th Dec 2020 used inflation rates from the OBR forecast made in March 2020 <https://obr.uk/efo/economic-and-fiscal-outlook-march-2020/>.

² The inflation estimates were updated by BEIS for the Budget Cap published in December 2020, using the OBR CPI inflation forecast for 2020Q4 (for 2021/22) and 2021Q4 (for 2022/23). The OBR published these updated forecasts in late November 2020. This is the nearest available estimate to the December inflation rate (published by ONS in January) which is used by Ofgem to uprate the tariffs. These inflation figures were used on Tariff Guarantees applications made from the 15th December 2020 until 7th February 2021. <https://obr.uk/download/november-2020-economic-and-fiscal-outlook-supplementary-economy-tables/>.

³ In January 2021, ONS published the December inflation rate, which were later used by Ofgem to uprate the tariffs for 2021/22. The OBR estimate for 2021 Q4 from November 2020 remain in use for 2022/23 (see footnote above). The new CPI rate of 0.6% was used from 8/2/21 (Consumer price inflation time series (MM23), <https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7g7/mm23>

Load factors

BEIS must also publish load factors applicable for each relevant Tariff Guarantee technology and quarterly biomethane production factors. These can be found in Tables 4 and 5 and can be updated in any month depending on the latest information available to BEIS. These tables were updated using May 2020 data. The new load factors were used by Ofgem from 20th July 2020, when the third allocation of Tariff Guarantees started.

Table 4: Heat Load Factors to be used to estimate budget commitments to Tariff Guarantees

Technology	Load Factor/Injection Rate
Solid biomass (1MW+)	27.35%
Deep geothermal (all capacities)	45.00%
Biogas (600kW+)	24.44%
Ground and water source heat pump (100kW+)	15.71%
Biomass CHP (all capacities)	44.02%

Table 5: Biomethane production factors to be used to estimate budget commitments to Tariff Guarantees

Quarter following registration	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10+
Production factor	30%	51%	56%	59%	62%	65%	68%	72%	75%	78%

BEIS must also publish load factors applicable for each relevant technology applying as Non-Tariff Guarantee Extension and Modified Capacity Applications. These can be found in Table 6. These load factors were calculated using January 2021 data.

Table 6: Heat Load Factors to be used to estimate budget commitments to Non-Tariff Guarantee Extension and Modified Capacity Applications

Technology	Load Factor/Injection Rate
Air Source Heat Pump (ASHP)	18.40%
Biogas	43.90%
Ground Source Heat Pump (GSHP)	18.20%
Medium Solid Biomass Boiler	20.20%
Small Solar Thermal	4.50%
Small Solid Biomass Boiler	15.00%

Methodology appendix

Differences from degression publication

Tariff rates for both Domestic and Non-Domestic Renewable Heat Incentive schemes were, until closure to new applicants, subject to degression mechanisms which automatically reduced tariffs if expenditure forecasts met pre-set thresholds. Regulations required that BEIS published the forecasts of expenditure used in assessing whether a degression would be triggered, which it has done on the [Non-domestic RHI mechanism for budget management: estimated commitments](#) and the [Domestic RHI mechanism for budget management: estimated commitments](#) pages.

The figures published in this document differ from expenditure commitments provided for the purposes of degression. Degression figures are different because they represent an estimate of full annual commitments of all plants in the scheme. This means degression does not take into account the fact that a plant which is accredited part way through the year will only output a part of its capacity in the current financial year. It also assumes immediate production at full capacity, which is not always the case, particularly with biomethane plants. This is in line with the methodology laid out in regulations. In contrast, the estimates in the tables above include the use of production profiles for new installations based on past behaviour within the scheme.

Additionally, these figures do *not* include preliminary applications (which are included in degression) because we have made no commitment to spend on these plants. It is not certain whether a preliminary application will lead to a full application being submitted and accredited, or what tariff the full application would receive.

Domestic degression estimates exclude “legacy” installations (any domestic installation which commissioned prior to 9th April 2014) in accordance with the regulations, whereas the estimates in this document include legacy installations.

In March 2018, to improve accuracy, we changed our assumptions of which installations are included in our non-domestic estimate (for all financial years). Rather than exclude dormant installations (per degression assumptions), we exclude installations based on the length of time (24 months instead of four) from which they have submitted meter readings to Ofgem (or made other contact). This does not change our estimates for biomethane installations or spend from the domestic scheme.

Load factor methodology change for the data up to end of December 2020

BEIS’s accrual models are used to prepare the figures in this document. For non-domestic (non-biomethane) applications above a certain size, we previously used data provided in the applications to calculate estimated load factors before these plants had submitted actual meter readings. We have found this assumption over-estimated committed spend, leading to gradual decreases over time in committed spend as the estimated accruals were replaced by actual payments.

From December 2020, we are treating plants of most sizes in the same way (i.e., prior to payment we are estimating spend using average load factors derived from plants that have been paid) in the non-domestic (non-biomethane) accrual model. For unpaid CHP and large biomass boilers with a capacity of over 10,000 kWtH, the installer estimated load factor will be reduced by 0.30 (with a minimum floor set at 0.30). Once a plant has been paid, the averages will, as before, be replaced by an actual load factor for that specific plant.

As can be seen in Table 2, this change, combined with the usual monthly variations in data, has led to a large reduction in the Committed Spend estimate based on data up to end December 2020, compared to the estimate using data up to end November 2020. Following this change, we expect that when estimated load factors are replaced by actual load factors, this should lead to smaller revisions in our spend estimates. Other factors, e.g., deployment, delays to commissioning of Tariff Guarantees and changes in actual load factors, will continue to affect the committed forecasts presented in the Budget Cap.