



Non-Domestic Renewable Heat Incentive (RHI) Review – Summary Paper

Background

The Government Response to the consultation “*Providing certainty, improving performance*” published in February 2013 announced our intention to conduct a periodic review of the non-domestic RHI scheme in 2014. Consequently, in summer 2013, we started work to scope the extent of the Review.

Given the ongoing development of the RHI, our approach has been to focus the Review on measures (other than tariff changes) that could improve the potential impact of the scheme.

We also considered the case for Government support of other technologies as part of this scoping exercise, as well as the efficiency of supported technologies.

The breadth of the non-domestic review was first scoped and developed through several workshops involving DECC, Ofgem, the Renewable Heat Industry Advisory Group and various industry stakeholders.

We conducted wider, more public engagement through a DECC blog and four LinkedIn discussion boards, which were promoted in December 2013 via Twitter and the GOV.UK website. This attracted almost 100 comments from over 50 different participants.

The key issues raised by stakeholders during this informal engagement period are set out in the panel to the right. The outcomes and next steps of this process are outlined overleaf.

Stakeholder Feedback

- Frequency of scheme changes makes it difficult for applicants to know the rules and requirements
- The current biomethane injection tariff may be overcompensating large scale plants
- The application form / process is too complex and needs simplifying
- More accessible guidance would be welcomed – e.g. application checklists, examples of accredited system designs
- Extension of preliminary accreditation would be welcomed, particularly for small not-for-profit organisations
- Increase awareness of the RHI, through marketing and good examples of efficient installations, to support industry growth
- Heating-only bioliquids should be included under the RHI and waste heat recovery should be supported
- More needs to be done to create a local supply chain for technologies, to prevent over-reliance on imports
- Greater focus is needed on including energy efficiency requirements
- Heat loss calculations can be very onerous, especially for complex systems, and improved guidance is needed
- Consumers could benefit from the use of agents to guide them through the process, to make the customer journey more simple
- The banding and tiering of biomass tariffs may be leading to over-sizing of installations to maximise income rather than system efficiency

Outcome

At the same time that we are conducting this Review, a number of other changes to the RHI are taking place – this includes recent changes to tariffs and the inclusion of new technologies in the non-domestic RHI, opening the RHI to domestic consumers, and the introduction of biomass sustainability requirements.

We have therefore been required to focus the Review on those issues that were most frequently raised by stakeholders and offer the best potential for us to increase the value for money and renewable heat deployment levels from the scheme whilst continuing to deliver market certainty.

Consequently, we have refined the upcoming work programme for developing the non-domestic RHI to comprise eight key areas of activity, as set out in the table below.

In response to stakeholder requests for more stability and in order to limit the disruptive impact of frequent legislative change, we will be moving to a system of introducing regulatory changes to the scheme on an annual basis only (subject to urgent exceptions). This approach should enable us to review risks and develop policy around a fixed point in the year; stakeholders will know when change is coming and Ofgem can align its processes accordingly.

2014 /15 Non Domestic RHI Workplan

Work Area	Detail	Timeframe
Scheme delivery	Processing of applications and reporting of scheme data, including expenditure forecasts and tariff degression announcements	Ongoing
Marketing and promotion	Raising awareness and increasing uptake of the scheme – currently undertaking a series of consumer / industry facing roadshows and providing articles for trade press	Ongoing
Biomethane tariff review	Open consultation on options for aligning the tariff more closely to different sizes of plant launched, ran from 30 th May 2014 to 27 th June	Spring 2014 - Winter 2014
Scheme improvements	Work continues on scheme simplification and continuous improvement	Ongoing
Evaluating new technologies and fostering innovation	Gathering evidence to enable us to assess the case for some new technologies to be included in the RHI. This includes reversible air to air heat pumps, gas driven heat pumps, bioliquids, biopropane, direct application of renewable heat to process and an 'uplift' for heat networks. We will publish the results of this research in due course We are also working on establishing a set of consideration criteria for the introduction of other new technologies for the next Spending Review period, as well as making sure that the scheme is innovation-friendly to existing technologies	Ongoing
Biomass sustainability	Ensuring biomass supported by the RHI delivers significant GHG savings through implementation of biomass sustainability policy	Spring 2014 onwards
Evaluating scheme impact	Evaluating the impact of the scheme, with research set to be published from Summer 2014	Ongoing
Tariff guarantees	Continuing to develop longer term options for increasing tariff certainty, as set out in the December 2013 Government response, and plan to publish a position paper shortly	Summer 2014 onwards