



Department for  
Business, Energy  
& Industrial Strategy

# THE NON-DOMESTIC RENEWABLE HEAT INCENTIVE: FURTHER PROPOSED AMENDMENTS

Government response to consultation  
(Chapters 3-6)

May 2018

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This consultation response can be found on the BEIS section of GOV.UK:  
[www.gov.uk/government/consultations/the-non-domestic-renewable-heat-incentive-further-proposed-amendments](https://www.gov.uk/government/consultations/the-non-domestic-renewable-heat-incentive-further-proposed-amendments)

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Any other enquiries regarding this publication should be sent to us at [rhi.consultations@beis.gov.uk](mailto:rhi.consultations@beis.gov.uk).

### **Acknowledgements**

BEIS would like to thank all stakeholders who took the time to respond to the consultation.

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# General information

## Purpose of this document

This document sets out the government's decisions on the remaining issues contained within the consultation [The Non-domestic Renewable Heat Incentive: further proposed amendments](#).

The government decision on the eligible heat use proposals was published in January 2018 and is available here:

[www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/679244/RHI\\_Eligible\\_Heat\\_Use\\_Government\\_Response.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/679244/RHI_Eligible_Heat_Use_Government_Response.pdf)

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### Quality assurance:

This consultation has been carried out in accordance with the government's [consultation principles](#).

If you have any complaints about the consultation process (as opposed to comments about the issues which are the subject of the consultation) please address them to:

Email: [beis.bru@beis.gov.uk](mailto:beis.bru@beis.gov.uk)

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# 1. Introduction

The Industrial Strategy set out four Grand Challenges to put the UK at the forefront of the industries of the future.<sup>1</sup> One of these Grand Challenges is maximising the advantages for UK industry from the global shift to clean growth. The framework for achieving clean growth and affordable energy for businesses and households was set out in the recent Clean Growth Strategy<sup>2</sup> and sits at the heart of the Industrial Strategy.

Through the Renewable Heat Incentive (RHI), we are spending £4.5 billion between 2016 and 2021 to support innovative low carbon heat technologies in homes and businesses, such as heat pumps, biomass boilers and solar water heaters. We are also reforming the RHI to focus the scheme towards long-term decarbonisation through greater uptake of technologies such as heat pumps and biomethane.

In September 2017 the government published a consultation [The Non-domestic Renewable Heat Incentive: further proposed amendments](#). This consultation made a range of proposals for changes to the Non-domestic RHI scheme rules. These included changes to rules relating to Eligible heat uses, Very Large Plant, Multiple Installations, Registering to Inject Biomethane, Environmental Permitting, Replacement Plant and Estimated Data.

Responses to the questions on eligible heat uses were requested by 3 October 2017 and the [government response](#) published on 29 January 2018. The eligible heat use reforms were implemented alongside the remainder of the RHI reforms announced in December 2016. This government response covers the other proposals from the September 2017 consultation.

## This document

This document sets out the government's decision on the proposals in relation to the following issues – Very Large Plant, Multiple Installations, Registering to Inject Biomethane, Environmental Permitting, Replacement Plant and Estimated Data. It also includes information on some additional measures to accompany the introduction of assignment of rights on the Domestic RHI scheme.

[Annex A](#) provides the full list of questions asked in the consultation, together with a detailed summary of the responses received.

[Annex B](#) provides an assessment of the potential impacts of the changes.

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<sup>1</sup> [www.gov.uk/government/publications/industrial-strategy-building-a-britain-fit-for-the-future](http://www.gov.uk/government/publications/industrial-strategy-building-a-britain-fit-for-the-future)

<sup>2</sup> [www.gov.uk/government/publications/clean-growth-strategy](http://www.gov.uk/government/publications/clean-growth-strategy)

## 2. Government response

### Very Large Plant

The consultation proposed to introduce an annual limit on the amount of heat/biomethane for which an individual accreditation can receive RHI payments. The heat production limit proposed was 250GWh per year for all eligible technologies.

The government wants to encourage larger plant to apply for the RHI and this was an explicit objective of the RHI reform process. However, there remain concerns that very large plant could take a substantial part of the RHI budget, resulting in a significant reduction in available budget for smaller projects. Accreditation of a very large plant could lead to the premature triggering of the budget cap and the closure of both the Non-domestic and Domestic RHI schemes. This would be detrimental to large parts of the renewable heat industry and could prevent the government from meeting its objectives. Whilst very large plant may offer high carbon abatement potential, support for multiple smaller installations may better support the development of supply chains. The introduction of an annual limit on the amount of heat/biomethane for which an individual accreditation can receive RHI payments therefore aims to strike a balance between these policy objectives.

There are also concerns that accrediting very large plant on current RHI tariffs presents a risk of significant over-compensation, potentially in breach of European Union state aid rules. RHI tariffs are designed to deliver a target rate of return for a representative plant within each technology and tariff band. A very large plant is likely to have significantly lower costs per unit of heat. These projects are expected to benefit from site-specific advantages, have relatively cheaper access to project finance and will benefit from larger economies of scale.

The government therefore intends to proceed with the introduction of a heat production limit for very large plant at the 250 GWh limit as proposed, subject to securing any necessary regulatory approvals.

## Multiple installations

For biogas installations, different tariffs are offered for small, medium and large installations. This policy is referred to as ‘tariff banding’, with each tariff referred to as a ‘tariff band’. Tariffs at each band are based on a number of factors including the economies of scale that can be attributed to each installation size. Larger installations attract a lower tariff due to economies of scale.

The government has concerns that some scheme participants seek to increase their tariff payments through separately accrediting multiple installations in order to have each installation accredited at the most advantageous tariff band. This practice was criticised by the National Audit Office in their recent report on the RHI.<sup>3</sup> The risk of this practice occurring for biomass installations was removed in September 2017 through the creation of a single biomass tariff.

The government wants to ensure that biogas tariff structures do not incentivise this behaviour. The consultation therefore proposed that for new applications to the Non-domestic RHI, tariffs should be worked out on the basis of the total capacity for each technology at a single site. The proposal will also ensure that the introduction of a heat production limit for very large plant cannot be circumvented through the installation of multiple smaller plant on the same site.

The government intends to take forward proposals to ensure that tariff bands are not abused by the installation of multiple smaller installations. Ofgem will also continue to scrutinise Non-domestic RHI installations and may take enforcement action where it has cause to believe an installation has been configured solely to maximise RHI payments.

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<sup>3</sup> [www.nao.org.uk/report/low-carbon-heating-of-homes-and-businesses-and-the-renewable-heat-incentive/](http://www.nao.org.uk/report/low-carbon-heating-of-homes-and-businesses-and-the-renewable-heat-incentive/)

## Registering to inject biomethane

The consultation proposed to introduce a requirement that, in order to register on the RHI, biomethane producers should specify their intended biogas production plant and confirm that the equipment used to produce biomethane has been commissioned. The government has decided to implement this proposal.

The process of two-stage commissioning is not permitted for any other RHI technology. The process undermines the degression mechanism, complicates scheme budget management and may also restrict the ability for future biomethane developers to access the RHI. The introduction of tariff guarantees has now provided a formal mechanism for biomethane producers to secure a tariff in advance of project construction.

The government therefore intends to introduce the requirement that a biomethane producer should specify their intended biogas production plant and confirm that the equipment used to produce biomethane has been commissioned, in order to register for the RHI.

In order to remove the risk of biogas produced at a single site being used for multiple RHI registrations, it has also been decided that one biogas production plant will only be able to be declared for the purposes of one RHI registration. These provisions will come into force on 20 June 2018.

*The Renewable Heat Incentive Scheme Regulations 2018* introduced a requirement that any necessary planning permission must have been granted in respect of the processes by which biogas is used to produce biomethane, the biogas is converted into biomethane, or the biomethane is injected. This will further strengthen the registration process.

The consultation also proposed to restrict the use of third party gas for RHI registration. Whilst the government does not intend to introduce any specific restrictions around the use of third party gas, the requirement to specify a biogas production plant and confirm that the equipment used to produce biomethane has been commissioned will ensure that third party gas does not enable a tariff to be secured before biogas production facilities have been fully developed.

Proposals to calculate RHI tariffs on the basis of the total volume of biomethane produced and/or injected at a single site were also consulted on. The government does not intend to change the current way in which RHI tariffs and tiers are calculated for biomethane producers. However, by ensuring that a single biogas production plant can only be used for the purposes of one RHI registration, the risk of multiple new biomethane registrations being linked to a single site will be removed.

The government continues to support the role that biomethane can play in the long-term decarbonisation of heat and acknowledges that some trading of biogas and biomethane may be necessary to support flexibility in the supply chain. These reforms will place clear requirements on the RHI registration process for biomethane producers and ensure that an RHI tariff is only secured at the appropriate stage in project development.



## Environmental permitting

The government has always been clear that RHI participants should comply with any relevant environmental permitting legislation. However, there are concerns that RHI participants may be able to claim RHI payments without holding the necessary environmental permits and complying with all relevant environmental legislation.

The government has therefore decided to clarify the requirement in relation to all new plant, as well as additional capacity added to existing plant. These plant will need to declare compliance with environmental legislation and have all applicable environmental permits in place in order to be eligible for support through the Non-domestic RHI. This will also be an ongoing obligation for scheme participants for the lifetime of their participation in the scheme.

Where there is evidence that an RHI installation is in breach of an environmental permit or other environmental legislation, then Ofgem will liaise with the relevant authority. Where the relevant authority undertakes enforcement actions or environmental permits are suspended, withdrawn or revoked, Ofgem, as the scheme administrator, will be able to take appropriate action in the form of suspending, withholding or recovering payments.

Applicants will be required to make a declaration on applications for accreditation or registration that the necessary environmental permits have either been granted or that no permits are required and that the plant and its operation complies with all relevant environmental legislation. These provisions will come into force on 1 October 2018.

This requirement will strengthen the current requirements and ensure that plant not operated in compliance with environmental legislation and without the necessary environmental permits are not supported by the RHI, thereby safeguarding the environment and the proper use of public funds.

## Replacement plant

The Non-domestic RHI regulations do not expressly provide a mechanism for participants to replace plant within their current accreditation. For participants whose plant may break down and be in need of replacement, this could mean the choice between beginning a new RHI accreditation at the prevailing tariff, or reverting to fossil fuel use.

The consultation proposed to introduce an amendment to the regulations to enable participants to replace their plant and stay on the same tariff for the remainder of their participation on the scheme. The government has decided to implement this proposal. The provisions for replacement plant will come into force on 1 October 2018.

### **What accreditation criteria will apply to replacement plant?**

The consultation proposed that the replacement plant should be a new, 'like-for-like' replacement, where 'like-for-like' refers to the technology type and capacity. For example, a biomass boiler will need to be replaced by a biomass boiler, or ground source heat pump by a ground source heat pump.

All replacement plant will be subject to the accreditation criteria that applied to the original installation. The one exception to this is that all replacement biomass boilers will be required to meet current air quality requirements, including where the original boiler was accredited before the air quality requirements were introduced on the Non-domestic RHI. Given the importance of air quality and reducing pollutants that can be caused by biomass combustion, it is considered appropriate that all new installations, including replacement plant, are subject to the latest air quality requirements.

### **How will the capacity of replacement plant be treated?**

Replacement plant will be able to maintain their original RHI tariff for any capacity up to that of the original plant. Any capacity beyond that of the original RHI accreditation will not be eligible to receive support payments. To clarify, a replacement plant with a higher capacity than the original plant will be able to accredit, however any increase in capacity will not be eligible for support payments. This will ensure that the replacement plant provisions do not have an impact on scheme budget management.

Where the capacity of the replacement plant is less than that of the original plant, the threshold for Tier 1 payments will be calculated in line with the replacement plant capacity. Where the capacity of a replacement plant is less than that of the original plant and crosses a tariff boundary, the tariff that will be applicable to the replacement plant will still be that which would have applied to the original plant had it not been replaced.

## Estimated data

The Non-domestic RHI pays participants for heat used for eligible purposes. Heat uses are typically metered and submissions for payment made to Ofgem on a quarterly basis. There is currently a provision within the RHI regulations for estimated data to be used in exceptional circumstances when meter readings cannot be provided. There are no limits to the amount of estimated data claims that can be submitted, which places a high administrative burden on Ofgem.

The consultation proposed to limit the use of estimated data to claim a maximum of two years of support payments per installation. The government has decided to implement this proposal.

The proposal will mean that claims for estimated data may be submitted to Ofgem for no more than eight quarterly periodic data submissions within a 20 year tariff lifetime, from the date amending regulations come into force. The eight estimated data submissions will apply to each installation regardless of the total number of heat meters on the system.

The consultation also proposed to amend the RHI regulations so that estimated data may not be submitted where it will lead to a revision of payments that have already been made. The government has also decided to implement this proposal. These provisions will come into force on 1 October 2018.

These changes will reduce the financial risk to the government and the administrative burden on Ofgem. It is hoped that they will also support good practice from RHI participants in terms of system and heat meter maintenance, to minimise the likelihood of estimated data claims needing to be made. Where estimated data does need to be submitted, claims will continue to be assessed on a case-by-case basis by Ofgem.

## Domestic RHI: Third party finance

In December 2016 the government announced its intention to open up the Domestic RHI scheme to allow participants the option to finance their installations through assignment of rights. Assignment of rights allows a householder to assign their right to RHI payments to a third party that has paid for all, or part, of their renewable heating system. These provisions will come into force on 27 June 2018 as part of *The Domestic Renewable Heat Incentive Scheme (Amendment) Regulations 2018*.

Alongside this formal mechanism to assign the rights to an RHI installation, there remain other third party routes, most often involving the use of shared bank accounts. The government has concerns that these other routes may undermine the policy intent of assignment of rights and lead to poor consumer outcomes.

As a result, the government has decided to implement changes to clarify who may be an 'investor' and the circumstances under which payments can be made to a third party. Any party acting as an investor and expecting to be repaid from RHI payments will be required to become a 'registered investor' and to use the formal assignment of rights process. These changes will help to mitigate the risk of poor consumer outcomes when engaging with third party finance routes and help deliver the policy intent behind assignment of rights.

# Annex A: Analysis of consultation responses

## Introduction

This annex looks in detail at the responses received to the consultation. It first summarises some information about the respondents to the consultation. It then outlines the questions contained within the consultation and summarises the responses received. The responses have served to inform the government's decision and policy making process.

## Consultation respondents

There were a total of 108 responses during the formal period of the consultation (5 September 2017 to 31 October 2017). Respondents comprised of individuals, businesses, trade bodies and other organisations.

29 respondents stated an interest in the operation of the RHI scheme across Great Britain. 21 stated a specific interest in England; 3 in both England and Wales; a further 3 in both England and Scotland; and 13 in Scotland alone.

A summary of responses to each of the questions in the consultation is set out below.

## Responses to consultation questions

Questions 1 to 9 were addressed in the government response to the Eligible Heat Uses chapter of the consultation.

### Questions 10 to 16: Very Large Plant

#### Question 10

a) Do you agree it is appropriate to limit the amount of subsidy which can be received by an individual accreditation registered on the Non-domestic RHI?

Yes/No

b) Please provide any available evidence in support of your response.

#### *Summary of responses:*

There were 76 responses to this question, with 70% of respondents agreeing that it is appropriate to limit the amount of subsidy which can be received by an individual accreditation registered on the Non-domestic RHI.

Those in favour highlighted the potential loss of available budget for smaller installations if there is no cap on the amount of subsidy which can be received by very large plant. The higher risk of scheme closure in the absence of the proposed measure was frequently cited, alongside the risk that an individual very large plant could be over-compensated.

Reasons against the proposed limit included the negative impact this could have on the decarbonisation potential of high energy use industrial sites and large city-wide projects. It was

suggested that alternative means of limiting support should be considered that might still incentivise the use of renewable heating versus fossil fuels.

A high number of respondents cited the need to ensure that all installations are serving justifiable heat uses, regardless of size.

### **Question 11**

a) Do you agree that the use of a heat production or biomethane injection limit is the best way to limit the amount of subsidy which can be received on the Non-domestic RHI?

Yes/No

b) Please provide any available evidence in support of your response.

#### *Summary of responses:*

There were 62 responses to this question with 65% agreeing that a heat production or biomethane injection limit is the best way to limit the subsidy to very large plant. A number of respondents highlighted the importance of ensuring any cap could not be circumvented through the installation of multiple smaller installations.

A few responses noted that a support mechanism that offers a set level of return in a similar manner to the Contracts for Difference scheme may be more appropriate for large plant. One respondent suggested that an index linked financial cap should be considered.

### **Question 12**

a) If 'Yes' to question 10, do you agree with the proposed heat/biomethane limit of 250GWh per annum?

Yes/No

b) Please provide any available evidence in support of your response.

#### *Summary of responses:*

There were 51 responses to this question. 58% of respondents agreed with the proposed 250GWh heat/biomethane limit. A number of responses highlighted concerns that the proposed limit is too high and could still lead to a significant share of the RHI budget being allocated to a few very large sites. The sustainability of biomass fuel supplies and associated transport movements was also raised. One respondent suggested that a limit of 100GWh might be more suitable.

### **Question 13**

a) If 'Yes' to question 10, do you agree that it is appropriate to set the same limit across all eligible technologies?

Yes/No

b) Please provide any available evidence in support of your response.

*Summary of responses:*

65% of the 49 responses to this question agreed that it is appropriate to set the same limit across all eligible technologies. One respondent believed that evidence-based limits for each technology would be more appropriate.

**Question 14**

- a) If 'No' to question 10, what method would be more appropriate, and why?
- b) Please provide any available evidence in support of your response.

*Summary of responses:*

Case-by-case consideration of an appropriate limit for each installation based on technology type and project specifics was suggested as an alternative methodology. A further respondent proposed a sliding scale of RHI tariffs based on project size so as to not remove all support above a certain heat production level.

**Question 15**

- a) Do you agree that Ofgem should be given discretion to address practices undertaken by installations to avoid being subject to the 250GWh limit?

Yes/No

- b) Please provide any available evidence in support of your response.

*Summary of responses:*

Of the 52 responses to this question over 90% agreed that Ofgem should be given discretion to address practices designed to circumvent a heat production limit. The specific risk of sites being divided into multiple smaller installations to avoid a limit was frequently raised. It was noted that there should be consistency and transparency in the decision-making processes of Ofgem.

**Question 16**

Are there any other issues you wish to raise with respect to Non-domestic RHI support for very large plant?

*Summary of responses:*

A number of responses outlined how a commitment to transparency and honest business practices should guide RHI applications by very large plant. It was noted that gaming and the potential for scheme abuse by smaller installations should remain a high priority and subject to further reforms where necessary.

## Questions 17 to 20: Multiple installations

### Question 17

- a) Do you agree it is appropriate to calculate capacity on the basis of all plant of the same technology installed at a single site, with new plant considered as additional capacity? Yes/No
- b) Do you envisage any challenges or issues that may be created by calculating capacity on the basis of all plant of the same technology installed at a single site? Yes/No
- c) Please provide any available evidence in support of your response, including evidence of where it might be appropriate to allow multiple plant to be separately accredited.

#### *Summary of responses:*

Out of the 57 responses, 36 respondents (63%) supported the proposal on multiple installations at a single site. Three responses cited stopping the gaming of RHI payments as the reason for their support.

Of all respondents, close to half raised challenges and issues with the proposed policy. This included difficulties associated with the definition of a single site and that in many cases separate installations have legitimate reasons for being configured in this way. Potential valid reasons for separate installations included the changing requirements of a site, additions to networks, timing of installations, large sites, the type of plant or installation, efficiency, changing costs of plant and feedstocks, as well as allowing for maintenance.

Several responses raised concerns that the proposed policy would introduce complexity and prevent investment. Two respondents proposed collapsing the biogas tariff bandings into a single tariff instead of the 'multiple installations' proposal.

One response pointed out that the proposed policy would alter the current scheme rules on additional capacity which are applied where there is a hydraulic connection to the existing heating system.

Concern was also raised that the proposal may have an impact on existing installations who have developed business plans based on current scheme legislation.

### Question 18

- a) Do you agree with the proposals on how a 'single site' should be defined?

Yes/No

- b) Please provide any available evidence in support of your response.

#### *Summary of responses:*

Of the 51 responses to this question, 63% agreed with the proposal of how a 'single site' should be defined, however limited evidence was provided in support of these responses. The need for alternatives and flexibility was mentioned twice. Of those who disagreed, there was widespread concern that the proposal did not include a firm definition of a 'single site' and the potential difficulty there would be to determine what constitutes a 'single site'.

One respondent proposed that the 'single site' definition, which does not require a hydraulic connection, should also be applied to separate shared ground loop installations in close



geographical proximity. This could enable installations delivered under the same contract to be eligible for a tariff guarantee where they reach the minimum capacity threshold.

### **Question 19**

a) Do you agree that the proposed policy on multiple installations should be applied to all new applications for additional capacity, regardless of when the original plant was accredited?

Yes/No

b) Please provide any available evidence in support of your response.

#### *Summary of responses:*

There were 50 responses to this question. Of these respondents, just over half (56%) agreed that the proposed policy should be applied to all new applications for additional capacity. Two respondents cited the need for consistency across installations as their rationale for support.

Of those who opposed the proposals, several respondents cited that any new rules should only apply to new installations rather than all applications for additional capacity. One respondent explained this view further by raising that already accredited installations may have based their business models on current scheme rules. For the same reason, a grace period to apply for accreditation under current rules was proposed for projects which have made investment decisions before the proposals were published. A further response proposed to limit the new rules on multiple installations to a certain period after accreditation only.

### **Question 20**

Are there any other issues you wish to raise with respect to the Non-domestic RHI approach to the installation of multiple plant at a single site?

#### *Summary of responses:*

Nine respondents provided information to this question, of which two thirds stated that it was important that sites were considered individually. Two respondents also added flexibility as an important aspect rather than having rigid constraints. Three respondents specifically referred to the ability to adapt to changing circumstances and requirements on a site as being important for farming businesses.

Two responses cited additional inspections and robust audit processes as a means to avoid gaming to maximise RHI returns.

## **Questions 21 to 32: Registering to inject biomethane**

### **Question 21**

a) Do you agree the government should take steps to restrict two-stage commissioning?

Yes/No

b) Please provide any available evidence in support of your response, including evidence of any scenarios where it might be appropriate for producers of biomethane to initially inject imported gas.

*Summary of responses:*

There were 39 responses to this question. 64% agreed that steps should be taken to restrict two-stage commissioning. The majority of respondents felt that some mechanism to deliver financial certainty for complex projects is needed, highlighting the importance of the introduction of tariff guarantees.

One respondent suggested that an alternative approach might be to permit two-stage commissioning but for Ofgem to be able to revoke registration if continuous biomethane injection has not commenced within a given time period.

**Question 22**

a) Will restricting the third party provision of biogas / biomethane have an adverse impact on increasing grid / network efficiency and capacity?

Yes/No

b) Please provide any available evidence in support of your response, including evidence of any scenarios where it might be appropriate for producers of biomethane to ramp up injection over a long period of time.

*Summary of responses:*

There were 27 responses to this question. 41% of respondents felt that restricting the third party provision of biogas / biomethane would have an adverse impact on grid efficiency and capacity. It was highlighted that restricting the use of third party gas could lead to greater gas imports from abroad or flaring in certain circumstances.

**Question 23**

a) Do you think the government should introduce any further or different measures to reduce the impact of two-stage commissioning?

Yes/No

b) Please provide any available evidence in support of your response.

*Summary of responses:*

Of the 30 responses to this question, just under half thought that alternative measures should be considered. Possible different measures included an extension to the tariff guarantee deadline to mitigate the need for two-stage commissioning or some form of enhanced preliminary accreditation process. Revocation of registration if continuous biomethane injection has not commenced within a given time period was again presented as an option.

**Question 24**

a) Do you agree that biomethane producers should be required to register the biogas production and/or upgrading facilities they intend to use?

Yes/No

b) Please provide any available evidence in support of your response.

*Summary of responses:*

83% of the 35 responses to this question agreed that biomethane producers should be required to register the biogas production and/or upgrading facilities they intend to use. There was strong overall support for transparency in the registration process. One respondent noted that whilst it may be appropriate to register the biogas production plant and/or upgrading facilities, the injection of biomethane should not be limited to gas produced from this one site.

**Question 25**

a) Do you agree that, if the government were to require biogas production/upgrading facilities to be registered as part of a biomethane producer's registration, the government should require as a condition of initial and ongoing registration that valid planning permission is held?

Yes/No

b) Please provide any available evidence in support of your response.

*Summary of responses:*

There were 33 responses to this question with 70% agreeing that valid planning permission should be a condition of initial and ongoing RHI registration. It was noted that relevant permissions should be requested at the appropriate time in the development of biomethane facilities and that care should be taken that this process does not delay RHI registration.

**Question 26**

a) Do you agree that, if the government were to require biogas production/ upgrading facilities to be registered as part of a biomethane producer's registration, that biomethane production should be eligible for support where the equipment used to produce and/or upgrade the biogas is used by a separate RHI registered biomethane producer?

Yes/No

b) Please provide any available evidence in support of your response.

*Summary of responses:*

There were 26 responses to this question. Just over two thirds felt that biomethane production should still be eligible for support where the equipment used to produce and/or upgrade the biogas is used by a separate RHI registered biomethane producer.

The key reasons for enabling shared use of equipment included the need to enable capacity to be increased at locations where there is network capacity as well as contributing to a healthy commercial market.

**Question 27**

a) Do you agree that, if the government were to require biogas production/upgrading facilities to be registered as part of a biomethane producer's registration that the tariff should be based on the total volume of biomethane injected using biogas produced/upgraded at a single registered site?

Yes/No

b) Please provide any available evidence in support of your response.

*Summary of responses:*

There were 28 responses to this question with 54% agreeing that tariffs should be based on the total volume of biomethane injected using biogas produced/upgraded at a single registered site. One respondent noted that there should be clear visibility of flows of gas from production to injection in an auditable manner.

Two respondents highlighted that this proposal could reduce investment and care should be taken not to restrict situations where genuinely separate anaerobic digestion facilities produce biogas which is subsequently injected as biomethane at a common point.

**Question 28**

a) Do you agree that RHI tariffs should be calculated on the basis of the total volume of biomethane injected at a single grid entry unit (including where the injection is split across multiple RHI participants)?

Yes/No

b) Please provide any available evidence in support of your response.

*Summary of responses:*

62% of the 29 respondents to this question supported the proposal. As with responses to question 27, it was highlighted that this proposal would have an adverse impact on situations where genuinely separate facilities inject at a single grid entry unit.

**Question 29**

a) Do you agree that RHI tariffs should be calculated on the basis of the total volume of biomethane injected at a single site (i.e. where a single site contains more than one grid entry unit)?

Yes/No

b) The government proposes considering a single site to be where common equipment is used in the biomethane production process (for example, a shared AD plant, shared upgrade plant). Do you agree with this definition?

Yes/No

c) Please provide any available evidence in support of your response including, where relevant, alternative definitions of a 'single site'.

*Summary of responses:*

There were 28 responses to this question, 17 of which agreed that RHI tariffs should be calculated on the basis of the total volume of biomethane injected at a single site.

A few respondents felt that the proposed considerations for a 'single site' would be difficult in practice to administer. Concerns were highlighted that this may stifle the market and lead to reduced flexibility in meeting spare grid capacity.

One response recommended that the grid entry unit should not form part of the definition of equipment used in the biomethane production process.

### Question 30

The government would welcome any alternative proposals on addressing the concerns set out in this chapter. If you have any alternative proposals, please set these out here.

#### *Summary of responses:*

Two respondents set out further views and alternative proposals to those presented in the consultation. This included the suggestion that the proposals might be better achieved by a more general carbon tax on fossil fuels.

The request was made for a form of enhanced preliminary registration to help deliver financial certainty and enable the biomethane sector to continue to grow.

The availability of food waste and the potential impact this may have on ramp-up periods for biomethane injection was also raised.

### Question 31

a) Do you consider that there will be any adverse consequences should the government implement these proposals?

Yes/No

b) Please provide evidence in support of your response.

#### *Summary of responses:*

Of the 31 responses to this question, 19 felt that the proposals may have adverse consequences. Many of these responses referred to wider proposals in the consultation document not relevant to biomethane injection. Comments relevant to the biomethane proposals included the need to balance any new rules with creating a framework that enables financial certainty for developers and one that supports flexibility in the market.

### Question 32

Are there any other issues you wish to raise related to the registration of biomethane producers?

#### *Summary of responses:*

There was one further comment relevant to biomethane injection received which asked for further clarity on the tariff guarantee process and final deadline for registration.

## Questions 33 to 36: Other cross cutting issues

### Question 33

a) Do you agree that it is appropriate to require RHI participants to provide evidence to Ofgem that they hold any necessary environmental permits?

Yes/No

b) Please provide any available evidence in support of your response.

*Summary of responses:*

There were 67 responses to this question. 78% of respondents agreed that it is appropriate to require RHI participants to provide evidence to demonstrate that they hold relevant environmental permits. Some respondents commented that this is particularly important for installations using wood fuels.

A few respondents noted that environmental permits are regulated by the Environment Agency and commented that this process should not be duplicated by Ofgem. Comments were also received that any new requirements in this area should not slow down the existing accreditation process.

**Question 34**

a) Do you agree that the government should allow participants to replace broken plant with new like-for-like replacements?

Yes/No

b) Should a variance in the capacity of the replacement plant in comparison to the capacity of the original plant be allowed?

Yes/No

c) If yes, what should the limit of this variance be (e.g. 5% variance?)

d) Please provide any available evidence in support of your response.

*Summary of responses:*

There were 71 responses to this question. An overwhelming majority of respondents (94%) agreed that participants should be allowed to replace broken plant and remain on their current RHI accreditation. Many responses to this question highlighted how the expected lifetime of most installations is less than the 20 year Non-domestic RHI support and that it is therefore reasonable to expect some replacement of equipment during this period.

Respondents agreed that some variance in the capacity of the replacement plant should be allowed and were relatively evenly split between whether the permitted variance should be 5% or 10%. One response suggested 15% and a further one recommended 20%.

One respondent outlined how 5% variance may prove too restrictive for installations with a small capacity such as 5kW.

**Question 35**

a) Do you agree that the government should limit the estimated meter reading provisions to apply only to future payments (i.e. payments that have not already been made)?

Yes/No

b) Do you agree that estimated data should only be used to claim support under the RHI for a maximum of 2 years per installation?

Yes/No

c) Please provide any available evidence in support of your response.

*Summary of responses:*

There were 55 responses to this question. Around two-thirds of respondents supported the proposal to limit the use of estimated data to a maximum of two years of RHI payments per installation and that estimated data should not be permitted where it would lead to a revision of payments that have already been made.

**Question 36**

Are there any other issues you wish to raise in relations to the cross-cutting issues set out above?

*Summary of responses:*

Responses to this question highlighted the importance of robust enforcement action by Ofgem to support high quality installations, as well as the proposal that mandatory quality management systems should be considered as a requirement for RHI installations.

## Annex B: Assessment of impacts

The aim of the RHI is to incentivise the cost-effective generation of renewable heat in order to contribute to meeting Carbon Budgets, the UK's 2020 renewable energy target, and to develop the renewable heat market and supply chain so that it can support the mass roll out of low-carbon heating technologies.

### Impact on potential applicants

The proposals outlined in this document are intended to clarify existing scheme regulations and strengthen compliance.

For many biomethane producers the process of two-stage commissioning has been an industry response to improve the financial deliverability of projects in the absence of tariff guarantees. The introduction of tariff guarantees will now provide a formal mechanism through which to secure an RHI tariff. The proposals that are being taken forward will place clear requirements on biomethane producers during the RHI registration process, but do not change the basis on which RHI payments are calculated or wider eligibility criteria relating to this technology.

The proposals relating to environmental permits, estimated data and replacement plant are not expected to have an impact on potential applicants. Rather, they clarify and provide small changes to existing scheme rules to ensure the operation of high quality installations.

### Impact on RHI costs and benefits

Clarifying existing scheme regulations and strengthening compliance is intended to ensure that the objectives and benefits set out in our [March 2018 Impact Assessment](#)<sup>4</sup> can be delivered. The delivery of these proposals will thus make it more likely that the carbon abatement and renewable heat generation impacts described in the Impact Assessment come into fruition.

The changes to the use of estimated data are intended to incentivise good maintenance practices by scheme participants and the proportionate use of estimated data.

Clarifying existing scheme rules relating to environmental compliance is expected to mitigate the risk that unintended negative consequences will in practice reduce the planned benefits of the RHI.

The provisions for replacement plant will enable plant that break down during their participation on the scheme to be replaced and therefore to deliver expected objectives and benefits over their tariff lifetime.

Similarly, the proposals relating to third party finance provisions on the Domestic RHI should enable the intended objectives and benefits of assignment of rights to be better delivered.

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<sup>4</sup> [www.legislation.gov.uk/ukia/2018/46/pdfs/ukia\\_20180046\\_en.pdf](http://www.legislation.gov.uk/ukia/2018/46/pdfs/ukia_20180046_en.pdf)





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