

RHI budget caps

In the 2015 Autumn Statement the Government announced the continuation of the RHI for the 2016-21 Spending Review period with the introduction of budget caps. The detail of the caps was set out in the [RHI consultation](#). The new budget caps were introduced from 1 April 2016 and are now in place.

The budget cap allows the Government to close the scheme to new applications at short notice, where the Government determines that there is a risk of the scheme overspending in either the current or future financial years should the scheme remain open. The decision to close the scheme will be a matter for ministerial discretion, and subject to parliamentary approval. Such a decision will be based on spending forecasts informed by the latest data, market intelligence and modelling.

As detailed in the consultation, the budget caps cover the combined expenditure from both the Non-domestic and Domestic schemes. Further detail on the operation of the cap can be found in the [Government response](#) to the consultation.

Current financial commitment

We will 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 covered by the caps. It also takes account of the potential for individual plant 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 below are an estimate of the spend we have committed to, for applications and accreditations received **up to 28 February 2019**. It is not a forecast of total spend for this financial year as it does not include estimates of spend on applications received over the remainder of the financial year.

This publication is in addition to our regular publications on RHI deployment statistics¹ and the RHI depression publications². Key differences from the depression publication are explained below.

This data is at nominal prices with spend after 2018/19, inflated according to OBR forecast estimates.

Table 1: 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	£1,010m	£1,150m
Current estimate of committed spend	£530m	£713m	£832m	£940m	£1,014m
<i>Non-domestic</i>	<i>£439m</i>	<i>£607m</i>	<i>£713m</i>	<i>£815m</i>	<i>£886m</i>
<i>Domestic</i>	<i>£92m</i>	<i>£106m</i>	<i>£119m</i>	<i>£125m</i>	<i>£128m</i>

Figures may not sum due to rounding

¹ RHI monthly deployment statistics: <https://www.gov.uk/government/collections/renewable-heat-incentive-statistics>

² Non-Domestic: <https://www.gov.uk/government/publications/rhi-mechanism-for-budget-management-estimated-commitments>;

Domestic: <https://www.gov.uk/government/publications/domestic-rhi-mechanism-for-budget-management-estimated-commitments>

For enquiries about this publication contact RHI@beis.gov.uk.

Please see Table 3 for estimated committed spend prior to 2016/17.

Differences from degression publication

These figures differ from expenditure commitments provided for the purposes of degression. Degression figures are higher 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 and below include the use of production profiles for new plant 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.

We also use different assumptions for including installations between the two models (see below).

Previous estimates of committed spend

The table below provides a summary of the previous monthly estimates using the current methodology in order to show how the estimates of committed spend are changing over time. The table does not include the earlier estimates based on degression as the methodological differences outlined above mean that comparing them is not helpful in assessing the trajectory of commitments against the cap.

Our non-domestic estimate (for all financial years) as of Mar 2018 is based on a new methodology. To improve accuracy, we have changed our assumptions of which installations are included in our estimate. Rather than exclude dormant installations (per degression assumptions), we exclude installations based on the length of time from which they have submitted meter readings to Ofgem. Therefore, our non-domestic estimate from Mar 2018 onwards is not comparable with prior month’s estimates. This does not change our estimates of biomethane installations or spend from the domestic scheme.

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. 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.

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Table 2: Total RHI committed spend, monthly updates

	16/17	17/18	18/19	19/20	20/21
Budget cap	£640m	£780m	£900m	£1,010m	£1,150m
Estimates of committed spend					
Data to end of Feb 2019	£530m	£713m	£832m	£940m	£1,014m
Data to end of Jan 2019	£530m	£715m	£835m	£942m	£1,015m
Data to end of Dec 2018	£530m	£715m	£836m	£940m	£1,012m
Data to end of Nov 2018	£531m	£714m	£835m	£944m	£1,017m
Data to end of Oct 2018	£531m	£715m	£835m	£921m	£961m
Data to end of Sep 2018	£533m	£719m	£838m	£901m	£937m
Data to end of Aug 2018	£533m	£716m	£841m	£900m	£934m
Data to end of Jul 2018	£533m	£719m	£846m	£901m	£935m
Data to end of Jun 2018	£534m	£720m	£848m	£901m	£934m
Data to end of May 2018	£536m	£720m	£847m	£901m	£932m
Data to end of Apr 2018	£536m	£725m	£844m	£892m	£920m
Data to end of Mar 2018	£534m	£728m	£826m	£868m	£894m
Data to end Feb 2018	£535m	£718m	£812m	£852m	£876m

Table 3: Total RHI committed spend, 2011/12 to 2015/16

	11/12	12/13	13/14	14/15	15/16
Current estimate of committed spend	£1m	£16m	£53m	£169m	£366m
<i>Non-domestic</i>	<i>£1m</i>	<i>£16m</i>	<i>£53m</i>	<i>£145m</i>	<i>£289m</i>
<i>Domestic</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>£23m</i>	<i>£77m</i>

Tariff Guarantees

In accordance with regulation 35(14) of the Renewable Heat Incentive Scheme Regulations 2018, BEIS is required to publish the budget allocation for tariff guarantees and estimates of inflation for the financial years 2018/19, 2019/20 and 2020/21. These figures can be found in Table 4.

Table 4: Tariff Guarantee budget allocation and inflation estimates used to determine TG affordability

	2019/20	2020/21
Budget allocation	£87m	£150m
Estimate of inflation (CPI)	2.1%	1.8%

These inflation estimates were updated in January 2019 based on estimates of the change in the calendar year 2018 from the Office for National Statistics³.

Depending on the latest deployment data and forecasts, the budget allocation for any current or future financial year may be increased from 1 February, May, August or November in each year and BEIS will give one month's notice of any increases. As of February 2019 there has been no change made to the original allocation.

BEIS must also publish load factors applicable for each relevant technology and quarterly biomethane production factors. These can be found in Tables 5 and 6 and can be updated in any month depending on the latest information available to BEIS.

Table 5: Heat Load Factors to be used to estimate budget commitments to Tariff Guarantees

Technology	Load Factor/Injection Rate
Solid biomass (1MW+)	28.14%
Deep geothermal (all capacities)	45%
Biogas (600kW+)	24.73%
Ground source heat pump (100kW+)	14.7%
Biomass CHP (all capacities)	44.85%

Table 6: 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	46%	58%	62%	69%	73%	76%	76%	76%	80%	83%

³ 12-month CPI inflation rate to end-December 2018:

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/december2018>