



## Renewable Heat Incentive (RHI) financial commitment & budget caps

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In this document, we provide quarterly updates of estimated in-year expenditure for plants that are supported by the RHI, as well as information on budget caps and budget allocations, as of the end of the previous month.

#### Committed spend

Financial commitment assessment tables below show estimated spend we have committed to for each year from 2011/12 to 2023/24 based on applications and accreditations received. These assessments take 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 Domestic RHI closed for new applications in March 2022 and only receives ‘transfers of ownership’ applications. The scheme continues to accredit applications made prior to closure.

The Non-Domestic RHI closed for applications for new installations in March 2021, though it remained open for certain accreditation and capacity modification applications:

- An extension was provided to 31 March 2023 for accreditation applications for plants already granted a Tariff Guarantee prior to 31 March 2021.
- An extension was also provided to 31 March 2023 for accreditation applications to those who: were not eligible for a TG, were impacted by COVID-19 related delays, had invested resource into project development prior to 17 August 2020, and successfully applied for a Covid Extension by 31 March 2021.
- Participants with accredited Shared Ground Loops could apply to modify installation capacity until 31 March 2023.

This publication is in addition to [our 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. The latest deployment statistics are for data to end March 2023 – these statistics are not expected to be updated until early 2024, which will be the final deployment update as the RHI scheme is now closed.

**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
<b>Current estimate of committed spend</b>	<b>£1m</b>	<b>£16m</b>	<b>£53m</b>	<b>£168m</b>	<b>£365m</b>
<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
<b>Budget cap</b>	<b>£640m</b>	<b>£780m</b>	<b>£900m</b>	<b>£1010m</b>	<b>£1150m</b>
<b>Current estimate of committed spend</b>	<b>£521m</b>	<b>£684m</b>	<b>£774m</b>	<b>£855m</b>	<b>£921m</b>
<i>Non-domestic</i>	£430m	£579m	£656m	£722m	£773m
<i>Domestic</i>	£91m	£105m	£118m	£133m	£148m
<b>Cumulative committed spend</b>	<b>£1125m</b>	<b>£1810m</b>	<b>£2584m</b>	<b>£3439m</b>	<b>£4360m</b>

Table 1c gives the current estimated committed spend for domestic as well as non-domestic RHI for 2021/22. There was only a budget cap for the Domestic RHI in 2021/22, as the Non-Domestic RHI closed to new applicants on the 31 March 2021. The Domestic RHI budget cap for 2021/22 was **£155m**.

**Table 1c: Total RHI committed spend 2021/22**

	21/22
<b>Current estimate of committed spend</b>	<b>£983m</b>
<i>Non-domestic</i>	£839m
<i>Domestic</i>	£143m
<b>Cumulative committed spend</b>	<b>£5342m</b>

Table 1d gives the current estimated committed spend for domestic and non-domestic RHI for 2022/23 and 2023/24. Overall scheme budget caps are not required for 2022/23 or 2023/24 as both RHI schemes have closed to new applicants.

**Table 1d: Total RHI committed spend 2022/23 and 2023/24**

	22/23	23/24
<b>Current estimate of committed spend</b>	<b>£1048m</b>	<b>£1166m</b>
<i>Non-domestic</i>	£926m	£1059m
<i>Domestic</i>	£122m	£107m
<b>Cumulative committed spend</b>	<b>£6391m</b>	<b>£7557m</b>

### Previous estimates of committed spend

The table below provides a summary of the previous quarterly estimates for the last year 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, applications that have become inactive and therefore no longer counted towards 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, quarterly updates, for the last 4 quarters**

Estimates of committed spend	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
Data to end of June 2023	£521m	£684m	£774m	£855m	£921m	£983m	£1,048m	£1,166m
Data to end of March 2023	£521m	£684m	£764m	£843m	£910m	£973m	£1,033m	
Data to end of Dec 2022	£521m	£685m	£765m	£844m	£911m	£979m	£1,046m	
Data to end of Sep 2022	£521m	£685m	£765m	£845m	£913m	£984m	£1,063m	

Note: all estimates use the same, most current methodology

## Budget allocations

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 the budget cap. Subsequent budget caps were introduced to cover Covid Extensions and Shared Ground Loop Modified Capacity.

### 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, The Department for Energy Security and Net Zero<sup>1</sup> 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, which 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

<sup>1</sup> Formerly the Department for Business, Energy and Industrial Strategy

Regulations 2021, The Department for Energy and Net Zero 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, The Department for Energy and Net Zero 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.

Budgets for 2022/23 were on a sectoral basis, with one budget for ‘domestic’ applications and one for ‘other’ applications. The 2022/23 budget allocation is also 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.

**Budget cap tables**

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

2020/21	
Budget allocation	£150m

**Table 3b: NDRHI Tariff Guarantee budget allocation (for applications made from 20<sup>th</sup> July 2020)<sup>3</sup>**

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: NDRHI Non-Tariff Guarantee Extension Applications budget allocations**

Financial Year	Biomass (<1MWth) (updated 5/5/21)	GSHPs (<100kWth)	All other non-TG eligible technologies (updated 1/03/22)	Total
2022/23	£4.9m	£3.6m	£1.3m	£9.8m

Note: Extension applications were submitted in March 2021. The budget caps set to assess them were for estimated spend in 2022/23.

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

Financial Year	Total
2021/22	£15m

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

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

**Inflation estimates and load/production factor tables**

Commitments of spend used to assess applications against budget caps have been calculated using load/production factors for different technologies and forecasts of inflation, which The Department for Energy and Net Zero is obliged to publish.

Inflation estimates in Table 4 were used to calculate the affordability of Tariff Guarantee applications made from 20<sup>th</sup> July 2020. The inflation rates used from 8<sup>th</sup> February 2021 were also used to calculate the affordability of Non-Tariff Guarantee Extension Applications (after 1 March 2021). 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 4: 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 <sup>2</sup>	Estimate of CPI inflation used 15/12/20 to 7/2/21 <sup>3</sup>	Estimate of CPI inflation used from 8/2/21 <sup>4</sup>
2021/22	1.4%	0.5%	0.6%
2022/23	2.0%	1.4%	1.4%

Tables 5 and 6 show the load factors for each relevant Tariff Guarantee technology and quarterly biomethane production factors that were used in the calculation of estimated budget commitments for tariff guarantees. These load factors were used from 20<sup>th</sup> July 2020, when the third allocation of Tariff Guarantees started, and were updated using May 2020 data.

**Table 5: 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%

<sup>2</sup> Tariff Guarantee applications made between 20<sup>th</sup> July 2020, when the third allocation of Tariff Guarantees started, but before 15<sup>th</sup> December 2020 used inflation rates from the OBR forecast made in March 2020 <https://obr.uk/efo/economic-and-fiscal-outlook-march-2020/>.

<sup>3</sup> The inflation estimates were updated by The Department for Energy Security and Net Zero 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 15<sup>th</sup> December 2020 until 7<sup>th</sup> February 2021. <https://obr.uk/download/november-2020-economic-and-fiscal-outlook-supplementary-economy-tables/>.

<sup>4</sup> 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>

**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	30%	51%	56%	59%	62%	65%	68%	72%	75%	78%

Table 7 shows the load factors applied for each relevant technology for the calculation of estimated budget commitments for Non-Tariff Guarantee Extension and Modified Capacity applications. These load factors were calculated using January 2021 data.

**Table 7: 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%

## Appendix – notes on methodologies

### 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 The Department for Energy and Net Zero 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 9<sup>th</sup> 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

The Department for Energy and Net Zero’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.