



Department for  
Business, Energy  
& Industrial Strategy

# Domestic Renewable Heat Incentive (DRHI) Factsheet – Degression Mechanism

## Summary

The Renewable Heat Incentive (RHI)<sup>1</sup> is funded through general taxation, which means the scheme budget is set at each Government Spending Review. We therefore need to ensure that the scheme stays within budget and that it provides value for money to the taxpayer.

At the same time, those who are considering installing renewable heat need to know what support is likely to be available to them. We control expenditure for the Domestic RHI through a process called degression, which works by gradually lowering the tariffs that are paid to **new** applicants as more renewable heating are installed. Tariffs are only reduced as estimated spend on the Domestic scheme exceeds certain expenditure thresholds. The degree of tariff change is determined by the level of expenditure relative to these thresholds, and the rate of expenditure growth.

From May 2018, we have changed the methodology and introduced new degression rules for each scheme. These changes have taken place following the [consultation response](#) published in December 2016.

For all technologies, growth thresholds will be set at the differences between the expenditure thresholds for successive tariff periods (quarter). Announcements confirming whether there will be a tariff reduction will take place quarterly, with one month's notice prior to any reduction taking place. For example, if a tariff reduction was announced by 1 September, this would take effect from 1 October. Those who apply after the notice period ends will receive the new (reduced) tariff. Those who have already been accredited on to the scheme or have made a valid application before the date of the tariff reduction will continue to receive the previous (higher) tariff.

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<sup>1</sup> The Domestic RHI policy is set out in detail in further details of the Domestic Renewable Heat Incentive. For more information on RHI policy you can visit <https://www.gov.uk/domestic-renewable-heat-incentive>

## Further details

### How will BEIS calculate anticipated spend?

BEIS will look ahead based on applications that have been received by Ofgem and installations already accredited to the scheme and will calculate how much it is committed to spend over the next 12 months – for example, to cover the period from 1 August 2017 to 31 July 2018. The 12-month period moves forward every quarter, running from the last assessment date. Payments to systems installed before 9 April 2014 (legacy installations) are not included in the forecast.

Ofgem will publish separate data on actual payments they have made in their [quarterly and annual reports](#)<sup>2</sup>. These data do not identify the likely cost of future payments over the coming year. Therefore, the numbers BEIS publishes will be higher than the figures published by Ofgem.

### What will be included in the quarterly and monthly degressions publications?

The quarterly publication will be made up of:

- An **Expenditure Forecast Statement** which sets out the calculated expenditure forecasts for each tariff and how these figures compare to the relevant thresholds set out in the scheme regulations.
- A **Tariff Change Notice** which will notify readers whether any tariffs will be reduced, the level of reduction, what the new tariff(s) will be, and when they will take effect.

Monthly reports will follow a similar format to the quarterly expenditure forecast statement, although there will not be a tariff change notice included.

### When will announcements be published by BEIS?

Every year, quarterly publications will be made by the following dates:

- 1 March
- 1 June
- 1 September
- 1 December

Publications will usually take place on the nearest working day prior to the above dates. Announcements will be made on the [RHI page of the GOV.UK website](#). BEIS will publish monthly forecasts when there is no quarterly publication. These are intended to enable the public to monitor on-going expenditure levels under the scheme, allowing them to make an assessment of whether any reduction of tariffs is likely to be made at the next quarterly announcement, and plan ahead accordingly.

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<sup>2</sup> <https://www.ofgem.gov.uk/environmental-programmes/domestic-rhi/contacts-guidance-and-resources/public-reports-and-data-domestic-rhi>

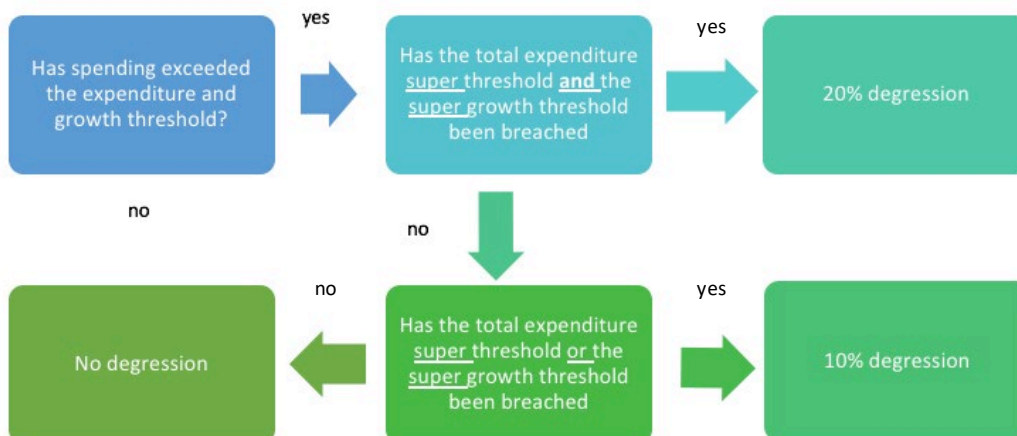
If you have any questions about either this factsheet or the policy behind the Domestic RHI, please email [rhi@beis.gov.uk](mailto:rhi@beis.gov.uk). If you have any queries relating to your application, then you should contact Ofgem directly on [DomesticRHI@ofgem.gov.uk](mailto:DomesticRHI@ofgem.gov.uk) or 0300 003 0744 (RHI enquiry line open Monday to Thursday 9am-5pm and to 4:30pm on Fridays).

## When do depressions occur?

The Domestic RHI has four thresholds to consider for each technology: expenditure threshold; super expenditure threshold; growth threshold; super growth threshold. The new depression rules ensure that depressions only occur where there is growth in expenditure. These are set out in the following table:











**Table 1: DRHI depression scenarios**

| No. | Deployment scenario   | Depression outcome |
|-----|---|--------------------|
| 1   | Spending has not exceeded the expenditure threshold and growth threshold  | none               |
| 2   | Spending has exceeded the total expenditure threshold <b>and</b> growth threshold but not the total <u>expenditure super threshold</u> .                                    | none               |
| 3   | Spending has exceeded the total expenditure threshold <b>and</b> growth threshold but not the <u>growth super threshold</u> .   | none               |
| 4   | Spending has exceeded the total expenditure threshold <b>and</b> growth threshold and total <u>expenditure super threshold</u> .  | 10%                |
| 5   | Spending has exceeded the total expenditure threshold <b>and</b> growth threshold and <u>growth super threshold</u> .   | 10%                |
| 6   | Spending has exceeded the forecast total expenditure <b>and</b> growth threshold, the total <u>expenditure super threshold</u> <b>and</b> the <u>growth super threshold</u> | 20%                |



If you have any questions about either this factsheet or the policy behind the Domestic RHI, please email [rhi@beis.gov.uk](mailto:rhi@beis.gov.uk). If you have any queries relating to your application, then you should contact Ofgem directly on [DomesticRHI@ofgem.gov.uk](mailto:DomesticRHI@ofgem.gov.uk) or 0300 003 0744 (RHI enquiry line open Monday to Thursday 9am-5pm and to 4:30pm on Fridays).

## Quarterly degression dates for 2019/20

|      |   |   |   |
|------|---|---|---|
| 2019 | April   |   | <b>Key:</b><br> Scheme data provided to BEIS as at last day of the month each quarter; e.g. 30 April 2019, 31 July 2019 etc.<br> Reduced tariffs come into effect; e.g. 1 July 2019, 1 October 2019 |
|      | <br>May        | BEIS analyse data - have tariff reductions been triggered? Announcement made at end of month. |   |
|      | <br>June       | One month notice period applies   |   |
| 2019 | July  |   |   |
|      | <br>August     | BEIS analyse data - have tariff reductions been triggered? Announcement made at end of month. |   |
|      | <br>Sept     | One month notice period applies   |   |
| 2019 | Oct   |   |   |
|      | <br>Nov      | BEIS analyse data - have tariff reductions been triggered? Announcement made at end of month. |   |
|      | <br>Dec      | One month notice period applies   |   |
| 2020 | January   |   |   |
|      | <br>February | BEIS analyse data - have tariff reductions been triggered? Announcement made at end of month. |   |
|      | <br>March    | One month notice period applies   |   |
| 2020 | April   |   |   |

## Domestic RHI degression thresholds

What happens the quarter after a degression has taken place?

If a degression takes place in any quarter, then in the following quarter we will test the growth in spend against the growth between the thresholds in those quarters, as well as considering the actual level of forecast spend. If the growth rate is higher than, or the same as the growth in the thresholds, further reduction in the tariff would occur; if it is lower the tariff would stay the same. This will ensure that we do not over-reduce a tariff.

**This reduced tariff only applies to new applicants to the scheme. Your tariff will not be reduced if you are already accredited onto the scheme or have made a valid application.**

### Disclaimer

This document is intended as guide only. For a definitive source of information on the rules applying to degression under the RHI you must refer to the RHI scheme regulations found at the [following link](#).