



Department for  
Business, Energy  
& Industrial Strategy

# The Non-Domestic Renewable Heat Incentive: Ensuring a sustainable scheme

Delivering value for money and robust  
management beyond 2021

Closing date: 7 July 2020



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

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# Introduction

The UK, along with countries around the world is facing unprecedented challenge in responding to the crisis caused by the coronavirus (COVID-19). We recognise that those wishing to respond to this consultation are likely to have pressing issues to address as a result of this crisis. As such, we will continue to monitor our consultation period, timelines and stakeholder engagement approach as the situation develops.

For further information on BEIS's COVID-19 response in relation to the Renewable Heat Incentive Schemes please refer to the notice [Changes to RHI Support and COVID-19 Response](#).

We are proceeding with this consultation at this time in view of the need for certainty around existing RHI timescales, and the contribution that linked proposals on Future support for low carbon heat and the changes to RHI support, will make to supporting businesses and job creation at a time when economic recovery will be so important

In July 2019, the UK became the first major economy in the world to pass laws to end its contribution to global warming by 2050. The target requires the UK to bring all greenhouse gas emissions to net zero by 2050, compared with the previous target of at least 80% reduction from 1990 levels.

Heating constitutes a major part of this challenge. Heat accounts for almost half of UK energy use and a third of UK carbon emissions. It's essential that we transition to cleaner heating technologies, and in a manner that is affordable for the UK as a whole and offers value for money to taxpayers.

Launched in 2011, the non-domestic Renewable Heat Incentive (NDRHI) helps businesses, public sector and non-profit organisations meet the cost of installing renewable heat technologies. The NDRHI along with its sister scheme the Domestic Renewable Heat Incentive has been administered on behalf of the department by the Office for Gas and Electricity Markets (Ofgem) since their launch.

The government renewed its commitment to the scheme at the 2015 Spending Review increasing available funding from £430 million per financial year in 2015/16 to £1.15 billion per financial year in 2021, an increase of over two and a half times.

In 2018, BEIS introduced a series of reforms to ensure the scheme represented ongoing value for money. These reforms included the introduction of Tariff Guarantees to provide investment certainty to larger renewable heat installations, changes to feedstock requirements to ensure greater utilisation of waste feedstocks for anaerobic digestion and amendments to eligible heat uses in order to ensure better value for money to the taxpayer. To date, government has spent £2.2bn on renewable heat installations through the NDRHI scheme<sup>1</sup>. Installations accredited to now have a total capacity of over 5 GW, and have generated over 42,400GWh of renewable heat.<sup>2</sup> In addition, the scheme is forecast to abate 113 MTCO<sub>2</sub>e over its lifetime.<sup>3</sup>

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<sup>1</sup> [RHI budget cap](#)

<sup>2</sup> BEIS (2020) [RHI deployment data January 2020](#)

<sup>3</sup> Internal BEIS analysis

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The approach outlined in this consultation document aims to enact the timetabled closure of the NDRHI scheme to new applicants at midnight on 31 March 2021,<sup>4</sup> while also seeking to future-proof the scheme for accredited applicants, the latest of which will be eligible to receive payments up to 2041. These reforms ultimately aim to ensure continued value for money to the taxpayer for NDRHI installations while also ensuring a streamlined approach to scheme administration which ensures plants continue to make vital contributions to the 2050 target for Net Zero.

This consultation is not seeking views on future support mechanisms for clean heat technologies. For views relating to future support schemes please respond to the consultation Future Support for Low Carbon Heat.<sup>5</sup>

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<sup>4</sup> With the exception of applicants submitting stage 3 information in relation to Tariff Guarantees, where stage 2 (financial close) information has been submitted prior to 31 March 2021.

<sup>5</sup> [Future Support for Low Carbon Heat Consultation](#)

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# General information

## Why we are consulting

In preparation for the formal closure of the Non-Domestic Renewable Heat Incentive (NDRHI) scheme to new applicants,<sup>6</sup> we are looking to future-proof the scheme for the remainder of the NDRHI payment period.

The reforms proposed in this document aim to ensure the scheme continues to offer ongoing value for money to the taxpayer, improve the experience of participants and continue to maximise the contribution the NDRHI makes to the decarbonisation of heating in the UK. The government is also looking to ensure that robust management of the scheme continues to be delivered and has worked closely with Ofgem, as the administrator of the RHI schemes, to develop these proposals.

This document seeks views on these proposed reforms and how they should be implemented.

## Consultation details

**Issued:** 28 April 2020

**Respond by:** 7 July 2020

**Enquiries to:**

NDRHI consultation  
RHI Policy Team  
Department for Business, Energy and Industrial Strategy  
2<sup>nd</sup> Floor, 1 Victoria Street,  
SW1 0ET

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

**Consultation reference:** The Non-Domestic Renewable Heat Incentive – Ensuring a Sustainable Scheme

**Audiences:**

Seeking the views of industry, representative groups, installers, and the general public.

**Territorial extent:**

This consultation relates to the Non-Domestic Renewable Heat Incentive schemes which operate across England, Scotland, and Wales. It does not relate to the separate Renewable Heat Incentive scheme for Northern Ireland.

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<sup>6</sup> With the exception of applicants submitting stage 3 information in relation to Tariff Guarantees, where stage 2 (financial close) information has been submitted prior to 31 March 2021.

## How to respond

**Respond online at:** <https://beisgovuk.citizenspace.com/heat/ndrhi-2021reforms>

or

**Email to:** [rhi.consultations@beis.gov.uk](mailto:rhi.consultations@beis.gov.uk)

**Write to:**

NDRHI consultation  
RHI Policy Team  
Department for Business, Energy and Industrial Strategy  
2<sup>nd</sup> Floor, 1 Victoria Street,  
SW1 0ET

A response form is available on the GOV.UK consultation page:

[www.gov.uk/government/consultations/non-domestic-renewable-heat-incentive-ensuring-a-sustainable-scheme](http://www.gov.uk/government/consultations/non-domestic-renewable-heat-incentive-ensuring-a-sustainable-scheme)

When responding, please state whether you are responding as an individual or representing the views of an organisation.

Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome.

## Confidentiality and data protection

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential please tell us, but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable UK and EU data protection laws. See our [privacy policy](#).

We will summarise all responses and publish this summary on [GOV.UK](#). The summary will include a list of names or organisations that responded, but not people's personal names, addresses or other contact details.

## Quality assurance

This consultation has been carried out in accordance with the government's [consultation principles](#). If you have any complaints about the way this consultation has been conducted, please email: [beis.bru@beis.gov.uk](mailto:beis.bru@beis.gov.uk).

# Executive Summary

The Non-Domestic Renewable Heat Incentive (NDRHI) was introduced to support the deployment of renewable, low carbon sources of heat to businesses, public bodies and charities.

Decarbonising heat is an integral part of the government meeting its emissions reductions target, the NDRHI is expected to abate 113 MtCO<sub>2</sub>e<sup>7</sup> over the lifetime of installations on the scheme.

These reforms seek to:

- future-proof the NDRHI scheme following closure and continue to maximise the contribution the NDRHI makes to the decarbonisation of heating in the UK
- improve the consumer experience for existing participants on the scheme
- ensure robust management of the scheme for existing participants for the remainder of the payment term
- deliver ongoing value for money to the taxpayer.

The Assessment of Impacts, that will follow this document, will provide further details of the assumptions made in reaching these estimates.

The government would welcome your views on the proposals outlined in this consultation, along with the questions contained in the following chapters.

## Changes to the Domestic Renewable Heat Incentive

On 11 March 2020 the Chancellor of the Exchequer announced as part of the Budget that the government intends to extend the Domestic Renewable Heat Incentive (DRHI) for a further year. This will mean that the DRHI will now remain open to new applicants until midnight 31 March 2022. As such, this document focuses solely on the closure of the NDRHI scheme.

The domestic scheme will continue in its current form. There will be no immediate changes to scheme eligibility criteria or ongoing obligations for new or existing participants.

We have also announced a flexible third allocation of Tariff Guarantees on the NDRHI.

Additionally, there will be an extension to commissioning deadlines for projects with existing Tariff Guarantees under the 2<sup>nd</sup> allocation in order to aid these projects in light of COVID-19 related delays.

Details of these changes were announced in a separate stakeholder notice, [here](#).

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<sup>7</sup> Internal BEIS analysis

# Closure of the Non-Domestic RHI

## Overview

In November 2011 the NDRHI scheme was launched offering financial support for the installation of eligible renewable heating systems. The NDRHI has been open to renewable heat installations that provide heat to buildings and for purposes other than heating a single domestic property, which are eligible for the DRHI scheme. This includes, for example, systems providing renewable heating to public buildings or commercial properties, generating heat for industrial or agricultural purposes, or for heating multiple domestic properties.

A range of technologies are eligible for support under the NDRHI, include biomass boilers; air source, water source and ground source heat pumps; solar thermal systems; deep-geothermal; biogas-combustion systems; combined heat and power (CHP) systems using a range of renewable fuels and sources, and; the production of biomethane for injection into the gas-grid.

With the exception of domestic properties with individual heat pumps connecting to a shared ground loop, where payments are deemed, participants accredited to the NDRHI receive payments over a 20-year period based on the heat output in kilowatt hours (kWh) of their system. Producers of biomethane are paid on the basis of how much biomethane is injected into the gas grid. In order to receive payments, participants and producers accredited to the NDRHI must continue to satisfy the eligibility criteria and ongoing obligations contained within the NDRHI regulations.

As of January 2020, the NDRHI has helped to produce a total of 42,400 GWh of renewable heat<sup>8</sup>. The following installation capacity has been supported:

Technology	Capacity (MW)
Air Source Heat Pump	15
Ground and Water Source Heat Pump	166
Biomass	4254
Biogas	306
Solar Thermal	5.6
CHP	308
<b>Total</b>	<b>5054.6</b>

Additionally, 10,017 GWh of biomethane has been injected into the gas grid by NDRHI-supported plants to date.<sup>9</sup>

The NDRHI scheme will close to new applications from midnight 31<sup>st</sup> March 2021. As the scheme is closing, we do not intend to introduce any new policy initiatives into the scheme focussed on eligibility and instead we would like to consider what scheme design and operational changes might be made to future-proof the NDRHI. We are particularly keen to

<sup>8</sup> BEIS (2020) [RHI deployment data January 2020](#), table 1.5

<sup>9</sup> This is the capacity of accredited full applications. BEIS (2020) [RHI deployment data January 2020](#), table 1.1 and 1.5

hear suggestions from participants to make the scheme easier to both administer and participate in, while ensuring we protect participants from any undue adverse effects post-scheme closure.

- 1. Do you agree or disagree with the proposal to close the Non-Domestic RHI from midnight on 31<sup>st</sup> March 2021? Please provide evidence to support your reasoning; for example, around the impact on jobs, deployment, consumer bills and the supply chain.**

## Changes to Tariff Guarantees

At the Budget, the Chancellor announced the government's intention to introduce a 3rd new allocation of flexible Tariff Guarantees (TGs) to the NDRHI. This new allocation of TGs will require plant to have submitted information evidencing financial close prior to the closure of the NDRHI to new applicants on 31 March 2021. TGs provide investment certainty to larger, better value for money installations, which are crucial to delivering our Net Zero target.

Previous TG allocations have made provision for a deadline date, by which point a plant must have commissioned and a properly made application submitted to receive the secured tariff. Under the new allocation, a plant will be required to submit properly made Stage 2 information prior to scheme close on 31 March 2021, but will be able to set a date for submission of Stage 3 commissioning evidence up to 31 March 2022, in keeping with current TG rules.

Under the new allocation, payments will begin from the point of commission and end 20 years after the properly made submission of a plant's Stage 2 information. For example, for a plant that submits Stage 2 information on 28 February 2021, has a tariff granted on 20 April 2021 and commissions on 28 February 2022. The payment period would begin from 28 February 2021 and this plant would receive nineteen years of RHI payments from the point of commissioning. No NDRHI payments will be made after 31 March 2041.

The Department also intends to set new TG headrooms for the 2021/22 and 2022/2023 financial years. For the purposes of this flexible third allocation we are considering new technology specific headrooms, these will be announced alongside the government response to the [stakeholder notice](#).

## Heat Pumps

### Overview

Through the NDRHI, the government has supported certain heat pump systems that may deliver heat to non-domestic buildings as well as provide some lower temperature process heating. These systems have provided and continue to provide a valuable contribution to the UK's target of 'Net Zero' by 2050 and to our legally binding Carbon Budgets.

Furthermore, support for heat pumps under the NDRHI has increased deployment, aiding the development of supply chains. In order to be considered renewable and thereby eligible for support on the NDRHI, heat pumps must generate heat by absorbing naturally occurring energy stored in the form of heat in the ambient air, water or ground. In addition, certain heat sources, such as heat from space or process cooling, are permitted to be used alongside naturally occurring heat. The 2018 reforms to the scheme aimed to encourage greater

deployment of shared ground loop systems, which can help to deliver carbon savings across multiple premises.

As of January 2020, there have been a total of over 1800 ground, water and air source heat pumps accredited to the NDRHI, accounting for approximately 180MW of installed capacity.<sup>10</sup>

## Modified Capacity for Shared Ground Loop Systems

For the purpose of scheme administration, shared ground loops are defined as any installation where there is more than one heat pump forming part of the same system.

Instances where the thermal output of an existing accredited installation is changed by the modification or addition of heat pumps utilising the existing ground loop is classified as 'modified capacity'.

In the case of shared ground loop systems, participants may modify their capacity by bringing the individual connecting heat pumps online in phases. Where capacity is modified, the new thermal output is added to the existing accreditation and thereby does not initiate a new full payment period.

For example, if a shared ground loop has a total potential capacity of 500kw and 250kw worth of heat pumps are connected to the loop at the point of accreditation and 3 years later the remaining 250kw are commissioned, the participant would only receive 17 years of NDRHI payments for the 2nd phase of heat pumps connecting.

The government sees that this practice of modifying capacity could be beneficial for installers and developers of larger projects as it allows for accreditation and thereby the receipt of a portion of NDRHI payments without the need for the total potential capacity to commission all at once, aiding cash flow and project delivery of larger installations.

In order to ensure the continued deployment of shared ground loop systems in the run up to the closure of the NDRHI, the government proposes to allow shared ground loop systems to continue to modify capacity after the scheme closes to new applicants. This will give the financial certainty for continued investment of important low carbon heating projects. This approach would apply across all systems defined as shared ground loops, regardless of whether payments are deemed or metered.

As part of this process change, we are also proposing that the scheme administrator be provided with strong evidence clearly demonstrating the total planned capacity of the ground loop and their plans for bringing connecting heat pumps online at the point of accreditation.

This is to ensure that the maximum potential financial profile of a plant over its 20-year payment period is understood and to guard against participants installing a system with an inflated potential capacity without firm plans to fully commission it. This evidence will also be required from existing shared ground loop participants should they wish to modify capacity.

## **2. Should modification of capacity for shared ground loops continue to be allowed from 1st April 2021? If not, why?**

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<sup>10</sup> BEIS (2020) [RHI deployment data January 2020](#), table 1.1

- 3. What would be the most appropriate form of evidence on the potential capacity of a system? Should this evidence be required from existing participants?**
- 4. Could a similar methodology be applied to other RHI technologies? Please provide evidence for your response.**

## Shared Ground Loops for Domestic Properties

Since the introduction of regulation changes in 2018 that allowed shared ground loops serving solely domestic premises to claim under the NDRHI we have seen an increase in such projects, which often serve social housing developments. Payment for heat pumps in domestic properties on a shared ground loop system will typically be made based on the deemed heat demand of the property, as in the DRHI scheme. Further details concerning the clarification of approach to domestic shared ground loops and their eligibility on the NDRHI can be found in the Ofgem guidance<sup>11</sup>.

In line with the department's clarification of approach on modified capacity, we anticipate that the deployment of domestic systems will continue to increase up to the point of scheme closure. Given the increasing popularity of such projects, the government is keen to better understand the financial arrangements between developers and those residing in dwellings making use of a shared ground loop to heat their domestic property.

The same protection for consumers is available in relation to shared ground loops in domestic properties as for consumers on the DRHI scheme. Installers are required to be MCS certified and a member of a consumer code. Installations must have an MCS certificate prior to accreditation. Given the longer timescales involved and the potential for different financial arrangements, there may be factors to further consider in future-proofing consumer protection for users of domestic shared ground loop on the NDRHI compared to participants on the DRHI. The government is considering ways in which we can future-proof the scheme and put provisions in place which will further support the consumers who use heat pumps that are on domestic shared ground loops. This might include additional consumer protection in the case of poor maintenance, replacement plants, changes of ownership and other issues which may lead to future ineligibility.

- 5. What changes should be introduced to future-proof the scheme for users of a heat pump that is on a domestic shared ground loop within the non-domestic scheme, given their participation until potentially as late as 2041? Please provide evidence to support your response.**
- 6. How do you envisage that consumers might be further protected across this period? Please provide evidence to support your response.**
- 7. Please provide any information that you have on the financial arrangements between developers of domestic shared ground loop systems and the users of a heat pump connected to that system.**

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<sup>11</sup> <https://www.ofgem.gov.uk/publications-and-updates/easy-guide-shared-ground-loops-non-domestic-renewable-heat-incentive-rhi>

## Additional changes

As the scheme closes, we are considering ways to future-proof the scheme and put provisions in place which will support participants over the remainder of their payment term. To this end, there are specific issues that we are looking to address around shared ground loop systems including a clarification of the current approach to modified capacity as well as some additional administrative changes to support these types of plant.

- 8. Are there any regulatory changes that have not been addressed by this consultation that would help to future-proof the scheme for existing participants using heat pumps? Please provide evidence.**

## Biogas Combustion and Biomethane Injection

### Overview

Since the introduction of the NDRHI, biomethane injection to the grid and onsite biogas combustion have been supported in line with the government's commitment to promote and increase the use of energy from waste.

As of January 2020, we have seen the deployment of approximately 750 biogas combustion installations. Most of this deployment came prior to the 2018 reforms to the NDRHI, and only 12 applications for accreditation to the NDRHI were made in 2019<sup>12</sup>. Biogas combustion installations on the RHI have typically provided heat to a combination of on-site process, space and water heating uses. We are aware that some biogas installations have historically provided heat to processes such as drying, which are no longer eligible for support under the RHI, as such the reduction in deployment levels is not unexpected.

NDRHI support has been a crucial catalyst in kickstarting the nascent biomethane industry and biomethane plant have served to deliver over 10,000 GWh worth of low carbon gas into the gas grid.<sup>13</sup>

The introduction of further sustainability requirements and a minimum percentage of waste for feedstocks used in anaerobic digestion over time have served to further increase the carbon savings offered by biomethane injection to the grid and solidified its contribution to decarbonising heating in the UK.

In order to ensure the continued contribution of NDRHI accredited biogas/biomethane production plants to Carbon Budgets, the proposed reforms look to provide greater flexibility to this emerging industry whilst also ensuring the appropriate sustainability criteria are being met.

### Change of registered producer

Under the NDRHI regulations a mechanism exists for the transfer of ownership of NDRHI accredited installations and their associated payments between two parties, however the same provision does not currently exist for registered producers of biomethane.

In practice this means that while biomethane production plants themselves may be bought and sold, the registration for production and, therefore, ability to receive NDRHI payments for the

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<sup>12</sup> BEIS (2020) [RHI deployment data January 2020](#), table 1.1 and M1.2

<sup>13</sup> BEIS (2020) [RHI deployment data January 2020](#), table 1.5

injected gas, cannot be transferred with the plant. If this issue is not addressed, then presently there is a reasonable likelihood of high value assets being under-utilised, should the current registered producer wish to sell them on and be unable to transfer the registration for NDRHI payments along with them.

As such, the government proposes to introduce a mechanism for the transfer of registration for the production of biomethane, similar to that which exists for other accredited installations on the NDRHI. We would be particularly interested to hear the views of stakeholders to establish what evidence should be required in order to assess the prospective new registered producer against the same criteria as those who have applied for registration previously to enable the scheme administrator to begin a formal change of registered producer process.

- 9. Should a mechanism be introduced that allows for the transfer of registration for biomethane producers? Yes/No**
- 10. If you answered no to question 9, please expand on your reasoning.**
- 11. Are there any other factors that need to be considered around the transfer of registration for production of biomethane?**
- 12. What evidence should be required in order to assess the prospective new registered producer against the same criteria as those who applied for registration previously, to allow for notification of the scheme administrator and begin a formal change of registered producer process?**

## Contamination of Feedstocks

Currently, the NDRHI regulations contain specific provisions on the use of ancillary fossil fuels and fossil fuel contamination in feedstocks for biomass, gasification and pyrolysis, however, the provisions for Anaerobic Digestion (AD) are less clear. For example, glycerol is a widely used feedstock in AD which may be contaminated with a certain level of fossil fuel content.

In order to ensure that the sustainability criteria for the NDRHI are being met by AD plants, that there is parity between technologies and accurate carbon savings are being attributed to the NDRHI, the government proposes to amend the NDRHI regulations in order to clarify that the same rules apply for AD feedstocks as they do for pyrolysis and gasification.

- 13. Should provisions be introduced on the use of ancillary fossil fuels and fossil fuel contamination in feedstocks for anaerobic digestion like those that exist for other technologies? Yes/No**
- 14. If you answered yes to question 13, please provide evidence for this view.**
- 15. If you answered no to question 13, please provide evidence for this view.**

## Interaction with other schemes

In May 2018, BEIS announced that dual participation on both the NDRHI and Renewable Transport Fuel Obligation Scheme (RTFO) was permissible within the current regulatory framework.

Currently, given the definitions and calculations within the NDRHI regulations, specifically around 'eligible biomethane', biomethane producers are unable to submit a partial claim for NDRHI payments within a given quarter. This means to claim both NDRHI payments and

Renewable Transport Fuel Certificates (RTFCs) producers must either claim entirely for NDRHI payments or RTFCs in a given quarter.

This significantly restricts the potential for producers to benefit from diversified revenue streams and in some instances disincentivises production beyond the limit for tier 1 payments, restricting the carbon savings offered by the NDRHI. The government is keen to ensure that registered producers of biomethane can flexibly access market-based schemes where possible, while ensuring the scheme administrator has sufficient assurances around the destination of biomethane produced from NDRHI plants.

The government proposes that the payment calculation formulae be amended in order to allow for claiming across multiple schemes within a quarter. In order to ensure that producers of biomethane are not being overcompensated or paid twice for the same consignment of biomethane, the government proposes to regulate to make it a formal requirement that support not be received for the same consignment under another support scheme such as the RTFO, further supporting the powers of the scheme administrator to take enforcement action in instances where this is suspected to be the case.

Furthermore, it is intended that registered NDRHI producers will still be required to report total biomethane injection to the scheme administrator before declaring the portion of gas on which NDRHI payments will be claimed. Additionally, data on RHI claims may be shared with the administrators of other schemes such as the Department for Transport in order to ensure there is no multiple claiming of support across schemes.

We would be keen for views from stakeholders on how this change could be administered most effectively.

**16. Should the government amend the NDRHI payment calculations for biomethane to allow producers to decide how much biomethane they wish to claim NDRHI payments for within a given quarter? Yes/No**

**17. If you answered no to question 16, please expand on why this is the case?**

**18. Do you foresee any practical challenges to achieving this change? If so, please expand.**

**19. What evidence would be appropriate for producers to provide to the scheme administrator for them to correctly apportion the NDRHI eligible gas being produced?**

## Biomass

### Overview

Biomass systems have seen strong deployment under the NDRHI and continue to provide strong contributions towards the UK's decarbonisation targets. Support for biomass under the NDRHI has aimed to foster a strong market and supply chain, by bridging the gap between the cost of biomass systems and their feedstocks and fossil fuel alternatives.

NDRHI installations are required to comply with strict sustainability criteria for the feedstocks used and this properly managed use of biomass can deliver the additional benefit of encouraging sustainable forestry practices.

Solid biomass is eligible for the NDRHI only where that heat is generated using boilers specifically designed and installed to burn biomass. The 2018 reforms to the NDRHI delivered improved value for money to the taxpayer by altering the tariff structure to focus support towards larger installations and biomass for process and district heating.

As of January 2020, there have been 16,890 biomass installations accredited to the NDRHI, with a combined total capacity of 4,252MW.<sup>14</sup>

The government recognises the scale of the challenge on national air quality. As per the Clean Air Strategy, the government will continue to strengthen the collaboration between Defra and BEIS, so that we fairly and objectively articulate the trade-offs between energy and public health when developing strategies to meet air quality and carbon targets.

A range of areas have been identified of importance for biomass installations, but we are keen to understand if there are any further areas in which amendments to the NDRHI regulations might be introduced to support participants for the remaining lifetime of their payments.

**20. Are there any regulatory changes that have not been addressed by this consultation that would help to future-proof the scheme for existing participants using biomass? Please provide evidence.**

## Fuel Quality

A fuel quality standard is an assurance process which covers the whole chain from the supply of raw materials to the point of delivery to the participant.

Improving the quality of fuel burnt in biomass boilers on the NDRHI scheme has a number of benefits for all stakeholders. Using better quality fuel can lead to (i) better boiler efficiency, (ii) longer system life, and (iii) lower emissions of damaging substances such as particulate matter, leading to improved air quality.

Improving the quality of NDRHI fuels is in line with the recommendations following the consultation on biomass combustion in urban areas.<sup>15</sup> The consultation response was published alongside this document, in which the government committed to working towards an industry standard for fuel quality to ensure that fuel burnt in biomass boilers is of appropriate quality. In the same vein, introducing this fuel quality criteria will ensure the biomass industry supports the government's 2019 Clean Air Strategy<sup>16</sup>.

As stated in the Urban Biomass Response document, the government has worked closely with the Biomass Supply List (BSL)<sup>17</sup> Advisory Panel, as well as wider industry to develop options for a fuel quality standard.

To implement this, the government intends to introduce a requirement that all suppliers of fuel used on the both the NDRHI scheme provide assurance that the wood fuel fulfils manufacturers' specifications and burns efficiently. We propose this will be done by requiring

- all wood pellets to meet the EN Plus A1 standard or an equivalent standard

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<sup>14</sup> BEIS (2020) [RHI deployment data January 2020](#), table 1.1:

<sup>15</sup> <https://www.gov.uk/government/consultations/renewable-heat-incentive-biomass-combustion-in-urban-areas>

<sup>16</sup> <https://www.gov.uk/government/publications/clean-air-strategy-2019>

<sup>17</sup> <https://biomass-suppliers-list.service.gov.uk/>

- all other wood fuels (such as chip) to meet fuel quality standard EN15234/ SO 9001, and EN17225, or equivalent.
- all wood fuels to provide assurance of their supply chain, and that they meet the standards above, through certification by the Woodsure Certification scheme to test against these standards, or an equivalent scheme.

The role of approved feedstock accreditation schemes, such as the BSL, is to ensure wood fuel burnt on the DRHI and NDRHI meets the sustainability criteria set out in the regulations. All DRHI recipients using wood fuel must use suppliers on the BSL, as must non-domestic recipients below 1000kW boilers who do not self-report to the scheme administrator. Plants greater than 1000kW in size are mandated to self-report to the scheme administrator on sustainability criteria of their feedstocks.

At present, neither route to feedstock accreditation mandates for fuel quality. The government intends to extend the role of the BSL, and any other equivalent scheme accrediting wood fuels, to include responsibility for checking against the fuel quality standards above, thereby making it simpler for both fuel suppliers and buyers to meet their obligations. It is also anticipated that this requirement will extend to Ofgem, as the scheme administrator, for applicants who self-report on woody biomass sustainability criteria.

Introducing this standard may have a one-off cost to suppliers to (1) upgrade their processes to ensure that the fuel is of the right standards and (2) introduce quality management systems for auditing and quality testing in line with current or new standards, and/or subscriptions to quality assurance bodies such as Woodsure<sup>18</sup> and HETAS<sup>19</sup>. These Quality Assurance (QA) bodies certify producers and traders of wood fuel by assessing the production process, testing products to industry standards and checking adequate controls are in place.

**21. Should fuel quality be a mandatory criterion for approved feedstock accreditation bodies? Yes/No**

**22. Should fuel quality be a mandatory criterion for the scheme administrator in its capacity to assess self-reported feedstocks? Yes/No**

**23. Do you agree with the proposal that a membership of an accredited quality assurance scheme should be sufficient evidence of fuel quality standard? Yes/No**

**24. If you answered no to question 23, what type of fuel quality framework would work?**

## Waste wood

The NDRHI allows for the burning of some types of waste wood in biomass boilers. To qualify for payment, relevant environmental permits must be in place as any site(s) that burn waste wood require an environmental permit.

In its response to the consultation on biomass in urban areas, the government set out its aims to introduce a fuel quality standard for biomass fuels as well as greater assurance around

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<sup>18</sup> <https://woodsurre.co.uk/>

<sup>19</sup> <https://www.hetas.co.uk/consumer/fuel-quality/>

waste fuels. This is because uncertainty about the type of waste wood permitted under the RHI scheme led to confusion among participants.

The government has worked with experts in the industry on the Biomass Suppliers List Advisory Panel and the Wood Recyclers Association, to find a way to address this issue.

Pre-consumer waste wood (PCWW) is wood that has been discarded before consumer use. Wood treatments are unlikely to have been applied to these products, as treating wood which is then discarded represents an unnecessary cost. Biomass suppliers dealing in PCWW can identify the status of the waste wood from the source. By labelling the waste wood as clean and non-hazardous, NDRHI participants purchasing PCWW can be confident that they are burning NDRHI compliant wood without the need for sampling and testing.

In this section, the government intends to restrict NDRHI payments to participants with compliant waste wood burning boilers. This will mean that payments will only be made to NDRHI participants with boilers which burn PCWW and have the relevant environmental permit or waste exemption to do so.

This will ensure greater certainty around where waste wood is being burnt, the quality of the fuel being used, and that waste wood is being burnt in the right appliance. This helps reduce the impact of biomass burning on air quality.

**25. Do you agree with the proposal that only pre-consumer waste wood should qualify for NDRHI payments? Yes/No**

**26. If you answered no to question 25, why not?**

**27. Do you have any other comments to improve the waste fuel burned in biomass boilers?**

## Biomass maintenance and air quality

The Clean Air Strategy<sup>20</sup> makes clear the government's commitment to minimise public health impacts from energy emissions.

Biomass boilers must function in a way that does not compromise the UK being able to meet its statutory emissions ceilings. In autumn 2018, the government consulted on biomass combustion in urban areas<sup>21</sup>, the consultation response to which was published alongside this document.<sup>22</sup>

As a result, the government has committed to working towards an industry standard for maintenance checks to tackle poor maintenance. Work on the standard will take place in 2020 with a view to legislating for it in early 2021. Additionally, the government will look to safeguard air quality by working to establish a standard for operation, enforceable within existing obligations, as well as developing data sharing and joint enforcement approaches to ensure existing requirements are being met.

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<sup>20</sup> <https://www.gov.uk/government/publications/clean-air-strategy-2019>

<sup>21</sup> <https://www.gov.uk/government/consultations/renewable-heat-incentive-biomass-combustion-in-urban-areas>

<sup>22</sup> TBC

## Other Technologies and Issues

### Combined heat and power

The heat element of eligible Combined Heat and Power (CHP) systems is supported under the NDRHI and to date 83 CHP installations have been accredited to the scheme.<sup>23</sup> There have been several amendments to the requirements for NDRHI accredited CHP installations aimed at maximising their contribution to the decarbonisation of heat, however, at present the government does not intend to make any changes to the current regulations for CHP systems. Given the aim of this consultation to future-proof the scheme, we would like to establish whether there are any changes necessary in order to ensure a closed scheme is fit for purpose for existing CHP systems.

**28. Are any changes necessary to the NDRHI for CHP installations following the closure of the NDRHI to new applicants? Yes/No**

**29. Please provide evidence for your answer to question 28.**

### Solar Thermal

To date 316 solar thermal installations have been accredited to the NDRHI.<sup>24</sup> These provide water heating for industrial, commercial, public sector and not-for-profit organisations.

At present, the government does not intend to make any changes to the current regulations for non-domestic solar thermal installations.

However, this consultation aims to future-proof the scheme, deliver value for money to the taxpayer and provide robust management for existing participants for the remaining lifetime of NDRHI payments across eligible technologies. As such, we would like to establish whether there are any changes necessary in order to ensure a closed scheme is fit for purpose for non-domestic solar thermal installations.

**30. Are any changes necessary to the NDRHI for solar thermal installations following the closure of the NDRHI to new applicants? Yes/No**

**31. Please provide evidence for your answer to question 30.**

### Geothermal plants

There are currently no accredited geothermal installations on the NDRHI, as such we will not be consulting on any changes to the NDRHI in relation to this technology.<sup>25</sup>

### Replacement Plant

Replacement plant regulations were introduced to the NDRHI in 2018. To date, only a small number of plants have utilised the regulations, but the department expects that this will rise sharply as the scheme progresses.

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<sup>23</sup> BEIS (2020) [RHI deployment data January 2020](#), table 1.1

<sup>24</sup> BEIS (2020) [RHI deployment data January 2020](#), table 1.1

<sup>25</sup> BEIS (2020) [RHI deployment data January 2020](#), table 1.1

While feedback on the provisions to date has been positive, we are keen to identify if there are any substantive current issues with the NDRHI replacement plant regulations and how we might look to improve these provisions (if at all) in order to future-proof the scheme.

**32. Do you agree with the current approach to replacement plant outlined in the regulations? Yes/No.**

**33. Please provide evidence to support your response to question 32.**

## Removal of Additional Capacity and Additional Biomethane regulations

Provisions within the NDRHI regulations currently allow for accredited installations and registered producers of biomethane to apply for additional capacity to be accredited or registered. In the case of accredited installations, additional capacity is defined as where an RHI plant is commissioned after the original installation and uses the same source of energy as the original installation and supplies heat to the same heating system.

In the case of registered biomethane producers, registration in respect of additional biomethane means any biomethane which exceeds the sum of the maximum initial capacity plus any maximum additional capacity previously specified under the NDRHI. This gas must be supplied at the same injection point as previously registered for that participant.

In line with the intention to close the NDRHI to new applications and in order to ensure greater certainty in protecting the allocated budget for the NDRHI over the remainder of the payment period, the government proposes to end the option to add capacity to existing plant following the closure of the scheme to new applicants from midnight 31<sup>st</sup> March 2021.

This will not remove the need for participants to notify the scheme administrator of any additional capacity added to the same heating system. Although this increase will be excluded, and participants will not receive additional payment under the NDRHI, the increased capacity could impact the NDRHI payments for the element of a plant which has received accreditation.

**34. Do you agree with the government's approach to removal of the additional capacity regulations? Yes/No**

**35. If you answered no to question 34, please explain your answer.**

**36. Do you agree with the government's approach to removal of the additional biomethane capacity regulations? Yes/No**

**37. If you answered no to question 36, please explain your answer.**

## Installation Meters

NDRHI regulations previously required some participants (on the scheme before the 2013 regulation changes) to have installation meters. Installation meters are different to standard meters in that they are utilised to monitor performance but readings from them are not necessarily required for calculating payments.

In situations where installations meters breakdown or readings are unavailable the regulations currently require that they be replaced or readings be estimated respectively.

The government is considering reducing the strictness of the requirements when there is no material impact on NDRHI payments.

We think that reducing the strictness of the requirements will support participants where there is no material impact on NDRHI payments

**38. Do you agree that the government should reduce the strictness of the requirements for installation meters in circumstances where NDRHI payments are unaffected? Yes/No**

## Future Technology

The government is aware that technology advances are likely to occur over the remaining NDRHI payment period and, where possible, we are keen that participants can benefit from these improvements. As such we are also consulting on how we may introduce greater flexibility into the scheme upon its closure to new applicants.

For example, when a participant seeks to make changes to improve their equipment (e.g. comply with the 10-year rule for recalibrating their water meters), it is important to ensure they can install the most efficient meters available whilst still meeting the NDRHI eligibility requirements.

**39. Are there any specific types of changes in obligations which you would like to see introduced to the scheme to account for future technological change? Yes/No**

**40. If you answered yes to question 39, please be specific and provide examples of such changes and evidence to support your answer.**

## Other NDRHI Issues

Although the government is planning to close the NDRHI for new entrants, we will continue to make payments to some plant until 2041. We would therefore welcome any further views from stakeholders on aspects of the NDRHI beyond those covered in this consultation.

We are keen to hear from stakeholders with suggestions regarding any measures required for closing the scheme, improving the efficiency and effectiveness of the scheme post-closure, and future-proofing the scheme for the remaining twenty years of scheme participation.

**41. Are there any other further changes that you would like us to make to the Non-Domestic RHI regulations at this time? Yes/No**

**42. Please provide evidence to support your response to question 41.**

## RHI Budgets and Reporting

### Reports and publications

The department currently publishes a monthly assessment of expenditure against the annual budget caps for the combined DRHI and NDRHI schemes. The requirement to undertake this work is not enshrined in the scheme regulations, however, in the interests of transparency, we propose amending our approach to publish an annual update against the new DRHI budget cap. We will also include the best estimate of NDRHI spend for the current financial years, the previous two financial years, and the subsequent two financial years.

Ceasing new NDRHI deployment will also mean that the degression methodology that has been used to bring tariffs down in line with deployment of RHI technologies will no longer be required. The regulations currently require the department to publish a quarterly forecast for the purposes of degression. Given that new deployment will be DRHI-only after the closure of the NDRHI, we are proposing to publish DRHI-only assessments against degression going forward.

The scheme administrator is also required under the regulations to produce quarterly and annual reports for the RHI schemes. Given that no new NDRHI applications will be forthcoming from 1st April 2021 we are proposing to also remove such formal requirements from the regulations. The scheme administrator will continue to publish an assessment of RHI payments made, however, as well as continuing to produce relevant reports for the DRHI scheme.

**43. Do you agree with the government's approach to remove quarterly and monthly NDRHI degression publications? Yes/No**

**44. If you answered No to question 43 please expand.**

**45. Do you agree with the government's new approach to NDRHI publications set out above? Yes/No**

**46. If you answered No to question 45, please expand.**

**47. Is there any additional data you think should be made available publicly as part of this publication? Yes/No**

**48. If you answered Yes to question 47, please expand.**

**49. Do you agree with the decision to no longer mandate the scheme administrator to publish quarterly and annual reports for the NDRHI? Yes/No**

**50. If you answered No to question 49, please expand.**

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This consultation is available from: [www.gov.uk/government/consultations/non-domestic-renewable-heat-incentive-ensuring-a-sustainable-scheme](https://www.gov.uk/government/consultations/non-domestic-renewable-heat-incentive-ensuring-a-sustainable-scheme)

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