



Department for
Business, Energy
& Industrial Strategy

Notice on Changes to RHI Support and COVID-19 Response

Government response

June 2020

This document sets out the Government's decision on the implementation of the proposals outlined within the [Notice](#) and provides a summary of the responses received.

On 28 April 2020, the Department for Business, Energy and Industrial Strategy (BEIS) published a Notice on Changes to the Renewable Heat Incentive (RHI) Schemes. This Notice gave an opportunity for interested parties to offer a response to proposals relating to changes to the RHI schemes, following on from announcements made by the Chancellor of the Exchequer as part of the Budget. Additionally, proposals were outlined in response to the impact that Covid-19 is having on NDRHI projects' ability to meet predetermined commissioning deadlines as set out by the current Tariff Guarantee scheme.

These changes are intended to provide for a smooth transition to future support schemes for low carbon heat, by ensuring continued support for vital GB supply chains. BEIS are currently consulting on the detail of these schemes, which can be found [here](#). These changes will also provide additional time for Domestic RHI and Tariff Guarantee (TG) eligible technologies to access RHI funding in light of delays to projects experienced due to the impacts of Covid-19 that may impede their ability to accredit to the schemes.

There were a total of 15 responses received to the Notice. Most responses were broadly supportive of the proposals, though a variety of concerns and recommendations were highlighted by respondents, these are outlined in [Annex A – Summary of Responses](#).

Having analysed the responses, worked with the scheme administrator and considered the proposals in relations to wider government policy objectives, we intend to proceed with the proposals outlined in the Notice, but with some amendments.

We are proposing these changes now in view of the contribution they will make to supporting businesses and job creation at a time when economic recovery will be so important. The proposals will provide support to businesses, many of which are small and medium-sized UK enterprises, including manufacturers, installers, and project developers in the low carbon heating sector.

We continue to consider what other changes may need to be made to deal with Covid-19 related delays and will make any separate announcements if necessary, in due course.

The wider package of measures announced by the Government in response to Covid-19 include financial support for businesses and employees. More information on these measures, as well as information on deferring tax processes, paying sick pay and providing business rates relief can be found [here](#).

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Government Response

Extension of the Domestic Renewable Heat Incentive Scheme (DRHI) for an additional year until 31 March 2022.

On 11 March 2020, the Chancellor of the Exchequer announced as part of the Budget that the Government intends to extend the DRHI for a further year to ensure its continued contribution to our stretching Net Zero target. This means that the scheme will remain open to new applicants until midnight 31 March 2022.

Most responses to the Notice were broadly supportive of this proposal and as such, the scheme will continue in its current form. Therefore to ensure scheme cost control, the regulations published alongside this document set out the extension of degeneration triggers. We will continue to keep these under review as part of our budget management of the RHI. There will be no immediate changes to DRHI scheme eligibility criteria or ongoing obligations for new or existing participants.

Introducing a flexible 3rd allocation of Tariff Guarantees (TG3)

The Chancellor also announced the Government's intention to introduce a 3rd allocation of flexible TGs to the NDRHI. TGs provide investment certainty to larger, better value for money projects, which are crucial to delivering our Net Zero target.

Responses to the Notice were broadly supportive of this proposal, however concerns were raised around the complexity of the proposed mechanism of aligning the submission of properly made stage 2 information and the opening of a participant's payment period.

This new allocation of TGs will still require plants to have submitted stage 2 information evidencing financial close prior to the closure of the NDRHI to new applicants on 31 March 2021. TG3 applicants must provide satisfactory evidence of financial close no later than 3 weeks from the date on which the Provisional Tariff Guarantee Notice is issued by Ofgem and by 31 March 2021, whichever is earlier. However, in response to concerns raised by respondents and in light of the particular need to provide clarity and simplicity to the renewable heat sector at this time, we do not intend for there to be an alignment between the start of the 20-year payment period and stage 2 submission.

Instead, we intend for all plants commissioning after 31 March 2021 to have a payment period until 31 March 2041. No NDRHI payments will be made after 31 March 2041. Payments will begin at the accreditation/registration date given by the Scheme Administrator, so those plants commissioning after 31 March 2021 will receive a reduced payment period relative to the date properly made stage 3 information is submitted. This mechanism is designed to ensure that the spend for TG3 remains within the existing NDRHI funding envelope, which is currently secured until 31 March 2021, ensuring value for money to the taxpayer.

We intend that for the purpose of accurately modelling NDRHI spend and protecting taxpayer money, TG applicants will still be required to submit an expected commissioning date. However, we will remove the requirement to commission within 183-days of this date. Instead

all plant will have the flexibility to commission and submit properly made stage 3 information at any point between their expected commissioning date and midnight 31 March 2022.

This allocation of Tariff Guarantees will open to applications at the coming into force date of the associated amendments to the NDRHI regulations (expected to be 20 July 2020, following the successful passage of this legislation through Parliament). Details of different application scenarios for TGs are further outlined in Annex B – Tariff Guarantee Scenarios

The Department also intends to set new TG budget headrooms¹ for the 2021/22 and 2022/23 financial years. For the purposes of TG3, we will set headrooms for individual technologies or groups of technologies, set out in Table 1. These will operate in the same way as the current TG budget headrooms, detailed in the ‘Tariff Guarantee budget control’ section of Ofgem’s Guide to Tariff Guarantees, but with new applications considered against the available budget for the applicable technology or group of technologies. Budget allocations will be set by the Secretary of State for BEIS; 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. The budget allocations are shown in Table 1.

Table 1 – TG3 budget allocation

Budget allocation (£m)	2021/22	2022/23
Biomethane	5	12
Ground & water source heat pumps over 100 kW	4	8
Other technologies (solid biomass CHP, geothermal, solid biomass over 1 MW, biogas over 600 kW)	7	9

Extension of Commissioning Deadlines for Projects that have applied to the Current Allocation of TGs (TG2) to 31 March 2022

It was announced in the Notice published 28 April that we intend to bring forward legislation to extend commissioning deadlines for projects currently holding a TG to at least mid-March 2021 in order to aid projects that may struggle to meet TG2 commissioning deadlines in light of Covid-19 related delays. Respondents to the Notice highlighted various points relating to this extension, concerns were raised that it was not sufficiently long, that there was a need for further clarity on which applicants this proposal applied to and around the ability to switch between TG allocations if necessary.

As such, we intend to bring forward legislation that would extend commissioning deadlines for all projects that have submitted at least a properly made stage 1 TG application prior to the 29 June 2020, to a flat date of 31 March 2022. It is not required for Ofgem to have determined that a stage 1 application was properly made prior to 29 June 2020, only that an application is

¹ For more information on budget headrooms for previous TG allocations, see Ofgem’s [web page on Tariff Guarantees](#), containing Ofgem’s Guide to Tariff Guarantees and the [RHI budget cap document](#).

submitted to that standard and by this date. Ofgem may subsequently determine that the application was, or was not, properly made by 29 June 2020. In line with the deadlines for TG3, properly made stage 3 information must be submitted by midnight 31 March 2022.

This provision will also apply to those TG2 applicants that have/had a commissioning deadline prior to the coming into force of these regulations (expected to be 20 July 2020, following the successful passage of this legislation through Parliament), so that they may also benefit from this extension to commissioning deadlines. In some circumstances, revoked TG2 applications affected by Covid-19 related delays to commissioning may be re-issued with a revised Tariff Guarantee Notice.

This will afford these projects the flexibility to commission at least 14 months after their previously issued commissioning deadline (31 January 2021 or earlier), significantly aiding them in light of Covid-19 related delays to project timelines. This will help to protect industry jobs and vital GB supply chains in the run up to the launch of future support schemes, as well as help deliver against our Net Zero target.

For those projects that commission after the closure of the NDRHI on 31 March 2021, they will receive a reduced payment window relative to their accreditation/registration date. This will work on the same basis as TG3, in that their payment period will end on 31 March 2041. All applicants benefiting from the extended commissioning deadline will be able to commission at any point prior to 31 March 2022. Those commissioning ahead of the closure of the NDRHI on 31 March 2021 will have a payment period beginning at the date properly made stage 3 information is submitted, so will receive 20 years' worth of NDRHI payments.

Targeting Covid-19 Impacted Projects

The extension to commissioning deadlines that we intend to bring forward is specifically aimed at affording Covid-19 impacted TG2 applicants significantly more time to commission. We intend to protect taxpayer money and the RHI budget by avoiding a surge of new applications outside of the policy intent i.e. projects not impacted by Covid-19 gaining advantage by applying speculatively or otherwise, for higher, pre-degression tariffs that offer a significantly extended commissioning deadline.

The Notice stipulated our intention to extend commissioning deadlines for projects 'currently holding TGs to at least mid-March 2021'. A degression will occur for Large Ground Source Heat Pumps on 1 July 2020, after which point the tariff received by new applicants will be reduced. We intend to ensure value for money to the taxpayer, protect funding allocated for TG3 participants and enact the Covid-19 related policy intent behind this extension. As such, we do not want any applicant to be able to benefit from both a higher tariff and extended commissioning deadline, that if it were not for the extended commissioning deadlines for TG2, would have applied for a TG3. There are no planned tariff degenerations for other technologies on 1 July 2020.

To this end, we intend that any applicant that submits an initial, properly made stage 1 application on or after 29 June 2020, but before the opening of TG3, will be treated under existing scheme rules^{2,3}. I.e. they will receive the tariff rate as per the date of stage 1 submission, but will have a commissioning deadline of 31 January 2021 or 183-days after their specified commissioning date. It is a commercial decision for this cohort of prospective applicants to apply under those conditions or postpone their application until the opening of TG3 to benefit from the extended commissioning deadline at the post 1 July tariff. Applicants are still able to withdraw their original TG application and submit a further TG3 application prior to 31 March 2021, providing that there is still sufficient TG3 budget for that technology.

Details of different application scenarios for TGs are further outlined in [Annex B – Tariff Guarantee Scenarios](#).

We intend that the NDRHI scheme will close to new applications on 31 March 2021 as scheduled.

Several respondents objected to the closure of the scheme on 31 March 2021. We remain of the view that the schemes outlined in the consultation Future support for low carbon heat provide greater value for money, and the amendments announced in this Notice ensure sufficient interim support for the supply chains needed for those new schemes. We would encourage stakeholders to respond to this [consultation](#).

It is intended that the NDRHI will therefore close to new applications on 31 March 2021. We are consulting on a package of closure reforms alongside the changes outlined in this Government Response and plan to bring forward legislation to address these changes in early 2021. If you wish to respond to this consultation please follow the link [here](#).

We continue to consider what other changes may need to be made to deal with Covid-19 related delays and will make any separate announcements if necessary in due course.

² For applicants applying before TG3 is opened, it will remain a requirement for stage 2 information to be provided 3 weeks after stage 1 information is approved.

³ It is not required for Ofgem to have determined that a stage 1 application was properly made prior to 29 June 2020, only that an application is submitted to that standard and by this date. Ofgem may subsequently determine that the application was, or was not, properly made by the 29 June 2020

Annex A - Summary of Responses

There were a total of 15 responses to the Notice. These were provided by a range of organisations including industry and trade bodies, public bodies and businesses. All respondents supported the DRHI's rollover, the principle of a flexible third allocation of TG (TG3) and extending commissioning deadlines.

The most common concerns and recommendations raised by respondents broadly fell into two categories.

1. NDRHI should be extended beyond 31 March 2021

These responses cited risks to the industry's development, investment, and renewables uptake that might be incurred by a gap in support ahead of new schemes launching and due to Covid-19 delays to deployment. Various dates were suggested but the most prevalent was 31 March 2022. It was cited by several respondents that this would aid projects that fall outside of the eligibility requirements for TGs in light of Covid-19 delays, such as shared ground loop systems below 100Kw. These respondents said that these projects have a key role to play in the future of decarbonisation of heating and that there would be a gap in support between the end of the NDRHI and a successor scheme.

2. A lack of clarity about how changes to Tariff Guarantees would be implemented.

These responses highlighted concerns around the interaction between TG allocations and transition between TG2 and TG3, suggesting that a transition should be automatic for those projects that missed TG2 commissioning deadlines. They also said that the extended commissioning deadlines for TG2 would not provide sufficient time for projects impacted by Covid-19 related delays to commission. The complexity of TG3 payment period start dates as set out in the Notice was also noted by several respondents. Two respondents articulated concerns relating to the insufficient scope of TG3 in terms of its technology profile.

A number of responses provided content relating to proposals included within the consultation [Non-domestic Renewable Heat Incentive: ensuring a sustainable scheme](#) and the consultation [Future Support for Low Carbon Heat](#). As such, these have been disregarded as they are beyond the scope of this response. Those responses have been filed for consideration under the respective consultations.

Annex B – Tariff Guarantee Application Scenarios

Based on the Response above, the following scenarios will have the following outcomes. Normal scheme requirements and reasons for revocation of a TG will remain, such as the requirement for stage 2 to be submitted within 3 weeks of provisional tariff guarantee notice being issued:

1. **An applicant has submitted stage 2 information and been issued with a Tariff Guarantee Notice (TGN) before 29 June 2020.**
 - They will receive the tariff as of the date they submitted stage 1.
 - They will be reissued with a revised TGN and receive a new commissioning deadline of **31 March 2022**.
 - They will be able to commission and submit properly made stage 3 information at any point up until **31 March 2022**.
 - If they commission after **31 March 2021** their payment period will end **31 March 2041**.

2. **An applicant has submitted stage 2 information and been issued with a TGN. However, due to Covid-19 related delays, the commissioning deadline has passed at the coming into force date of the regulations.**
 - Their application will not be revoked at the point that the commissioning deadline lapses.
 - They will receive the tariff as of the date they submitted stage 1.
 - They will be reissued with a revised TGN and receive a new commissioning deadline of **31 March 2022**.
 - They will be able to commission and submit properly made stage 3 information at any point up until **31 March 2022**.
 - If they commission after **31 March 2021** their payment period will end **31 March 2041**.

3. **An applicant has submitted properly made⁴ stage 1 information prior to 29 June 2020, but they have not submitted stage 2 information and received a TGN. Assuming their application is successful, the TGN when issued will be as follows.**
 - They will receive the tariff as of the date they submitted stage 1.
 - They will have a commissioning deadline of **31 March 2022**.
 - They will be able to commission and submit properly made stage 3 information at any point up until **31 March 2022**.
 - If they commission after **31 March 2021** their payment period will end **31 March 2041**.

⁴ It is not required for Ofgem to have determined that a stage 1 application was properly made before the 29 June 2020, only that an application is submitted to that standard and by this date. Ofgem may subsequently determine that the application was, or was not, properly made by the 29 June 2020.

4. **An applicant submits properly made⁵ stage 1 information on or after the 29 June 2020, but before the coming into force date of these regulations.** This outcome will apply regardless of whether stage 2 information is submitted and a TGN is issued prior to the coming into force date of these regulations). If their application is successful:
- They will receive the tariff as of the date they submitted stage 1.
 - Per current scheme rules, stage 2 information must be submitted no later than 3 weeks after the date that the Provisional TGN is issued.
 - They will **not** receive an extended commissioning deadline. Instead the current scheme deadlines will apply. As such they must commission either by **31 January** or 183-days after the commissioning date they submit to Ofgem.
 - They will have the option to apply for TG3⁶ if they wish to benefit from the extended commissioning deadlines, however this is a commercial decision and down to the discretion of the applicant.
5. **An applicant submits stage 1 on or after the coming into force date of these regulations. If successful:**
- They will be accredited under TG3.
 - They will receive the tariff as of the date they submitted stage 1.
 - They will receive a commissioning deadline of **31 March 2022**.
 - They will be able to commission and submit stage 3 information at any point up until **31 March 2022**.
 - If they commission after **31 March 2021** their payment period will end **31 March 2041**.

⁵ It is not required for Ofgem to have determined that a stage 1 application was properly made before 29 June 2020, only that an application is submitted to that standard and by this date. Ofgem may subsequently determine that the application was, or was not, properly made by 29 June 2020.

⁶ Should the applicant wish to apply for TG3 in relation to the same plant or production, they will first need to withdraw their original TG application.

This publication is available from: www.gov.uk/government/publications/changes-to-the-renewable-heat-incentive-rhi-schemes

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