



## Quarterly forecasts for the non-domestic RHI scheme as at 30 April 2013.

### *Tariff change notice and expenditure forecast statement*

The tariff change notice and the expenditure forecast statement are published by the Department for Energy and Climate Change in accordance with Regulation 37E of the Renewable Heat Incentive Scheme Regulations 2011 (“the regulations”)<sup>1</sup>.

**Section A** contains the tariff change notice, which advises whether any tariffs will be reduced as a result of this quarterly forecast and when any change will take effect.

**Section B** contains the expenditure forecast statement, which identifies the forecasts for the scheme as a whole and for each tariff category, and how these compare to the expenditure thresholds set out in the regulations. It also sets out any tariff reductions that may have been triggered.

DECC has published the methodology that it will use when preparing these forecasts and this is available on the RHI pages of the GOV.UK website.

Further information about the operation of the budget management mechanism is available within the Government response to the ‘Providing Certainty, Improving Performance’ July consultation. These documents can be accessed using the following link:

<https://www.gov.uk/government/policies/increasing-the-use-of-low-carbon-technologies/supporting-pages/renewable-heat-incentive-rhi>

A glossary of terms is available at the end of this document.

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<sup>1</sup> Regulation 37E was inserted by the Renewable Heat Incentive Scheme (Amendment) Regulations 2013.



## *SECTION A. Tariff change notice for tariff period starting 1 July 2013*

As a result of the forecasts shown in the Secretary of State's expenditure forecast statement in relation to the position under the scheme as at 30 April 2013, the following tariff categories, shown in Table 1, will be reduced on 1 July 2013. The revised tariffs will not affect applicants whose date of accreditation or date of registration is earlier than 1 July.

The forecasts, and how these compare to the expenditure thresholds set out in the regulations (which determine whether a tariff reduction will be triggered), are set out in the expenditure forecast statement.

**Table 1**

This table shows which tariff categories will be reduced, how that reduction has been calculated; and the new tariff level applicable for the next tariff period (starting on 1 July 2013).

<b>Tariff category</b>	<b>Existing tariff rate</b>	<b>Reduction to tariff category (%) as a result of expenditure thresholds being hit or exceeded</b>			<b>New tariff rate applicable from 1 July 2013<sup>2</sup></b>
		<b>Total forecast expenditure hit/exceeded</b>	<b>Expenditure threshold for tariff category hit/exceeded</b>	<b>Total % reduction</b>	
<b>Medium commercial biomass Tier 1 and 2</b>	Tier 1: 5.3p/kWh  Tier 2: 2.2p/kWh	<b>0%</b>	<b>5%</b>	<b>5%</b>	Tier 1: 5.0p/kWh  Tier 2: 2.1p/kWh

<sup>2</sup> Rates are rounded to the nearest tenth of a penny



**SECTION B. Expenditure forecast statement as at 30 April 2013**

This statement sets out:

- the total forecast expenditure for the scheme;
- the forecasts for each tariff category; and
- the increase in expenditure forecasts since any previous quarterly forecast.

This is based on the scheme data as at 30<sup>th</sup> April 2013, which has been provided by the Office of Gas and Electricity Markets (Ofgem) who administer the scheme.

**The total forecast expenditure (i.e. expenditure for the scheme as a whole over the next 12 months) is £48.8 million.**

This **does not exceed** the total expenditure anticipated for the subsequent year for the scheme as a whole of £97.2 million<sup>3</sup> – also referred to as the total trigger – and so will not trigger a reduction on this basis.

This **does exceed** the expenditure threshold for the scheme as a whole of £48.6<sup>4</sup> – also referred to as the 50% total trigger – and so a reduction may be triggered if expenditure forecasts for the tariff categories exceed the relevant thresholds. (If so, the amount of the reduction will also depend on the increase in the expenditure forecast since any previous quarterly forecast.)

**The expenditure forecasts for each tariff category and the increase in expenditure (i.e. growth) forecasts for each tariff category are set out below.**

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<sup>3</sup> Which is specified in the second column of Schedule 4 of the regulations.

<sup>4</sup> Which is specified in the third column of Schedule 4 of the regulations.



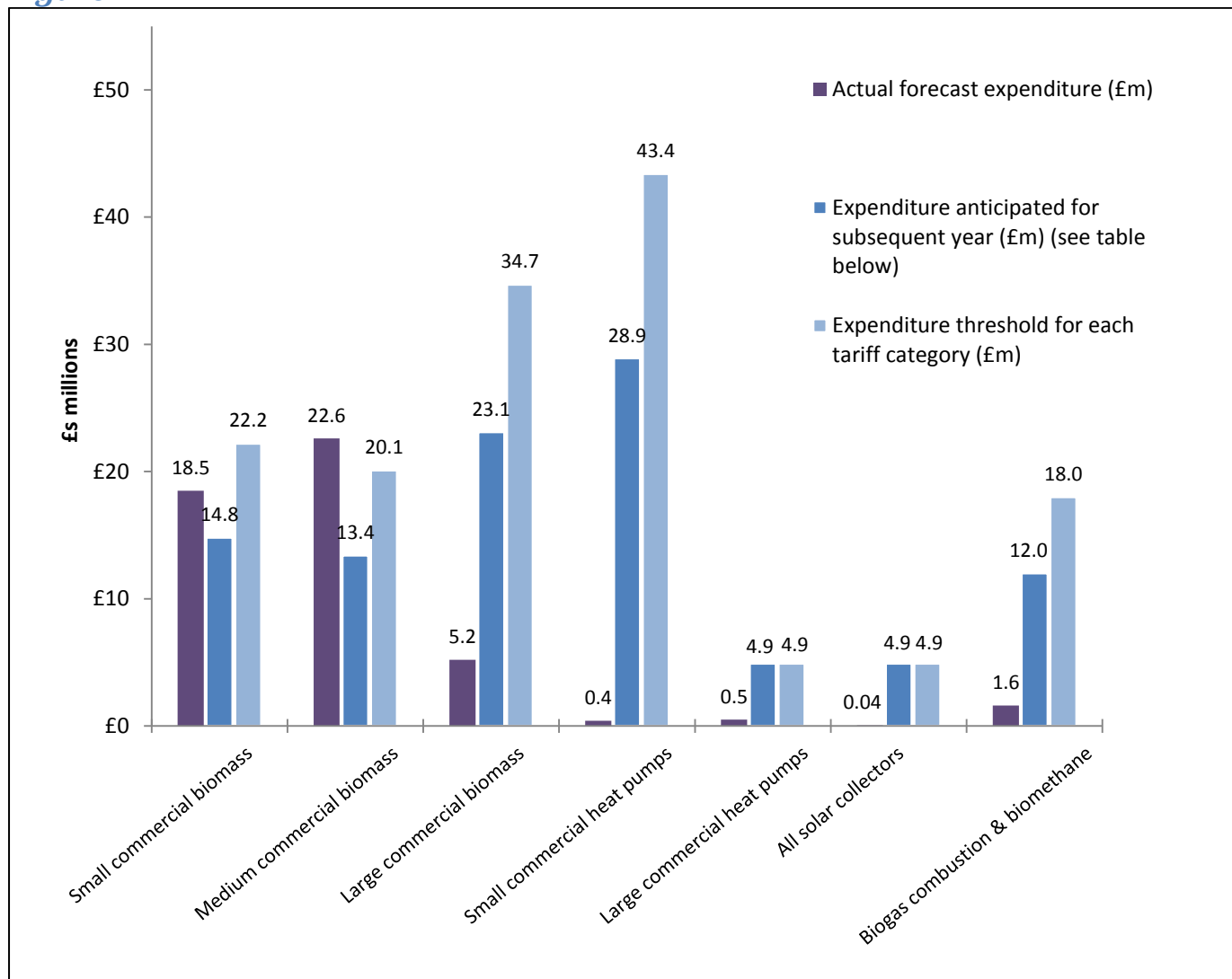
### Figure 2 and Table 2

Both Figure 2 and Table 2 show the actual forecast expenditure for the next 12 months for each of the tariff categories currently available under the non-domestic RHI scheme.

Figure 2 and Table 2 show how these forecasts compare to the expenditure thresholds set out in the regulations (i.e. the expenditure anticipated for the subsequent year and the expenditure thresholds or “triggers”) which if exceeded can result in tariff reductions.

Data shown is as at **30 April 2013**.

**Figure 2**





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**Table 2**

	<b>Expenditure anticipated for subsequent year for each tariff category (£m)</b>	<b>Expenditure threshold (or “trigger”) for each tariff category (£m)</b>	<b>Actual forecast for expenditure for each tariff category (£m)</b>
<i>Description</i>	<i>Consistent with DECC’s trajectory towards achieving the anticipated heat contribution to the 2020 renewables target<sup>5</sup></i>	<i>This is the maximum tolerable levels of expenditure. These thresholds are set higher than those in column 2.<sup>6</sup></i>	<i>Based on actual data provided by Ofgem as at 30 April 2013</i>
<b>Tariff category</b>			
Small commercial biomass	14.8	22.2	18.5
Medium commercial biomass	13.4	20.1	22.6
Large commercial biomass	23.1	34.7	5.2
Small commercial heat pumps	28.9	43.4	0.4
Large commercial heat pumps	4.9	4.9	0.5
All Solar collectors	4.9	4.9	0.04
Biogas combustion & Biomethane	12.0	18.0	1.6
<b>Total</b>	-	-	<b>£48.8</b>

### Tables for each tariff category

The following tables are provided for each tariff category and show anticipated annual expenditure levels and expenditure thresholds (“triggers”) which apply between 30 April 2013 and January 2015 (as at each quarter). These tables will be updated with actual forecast expenditures as each expenditure forecast statement is published.

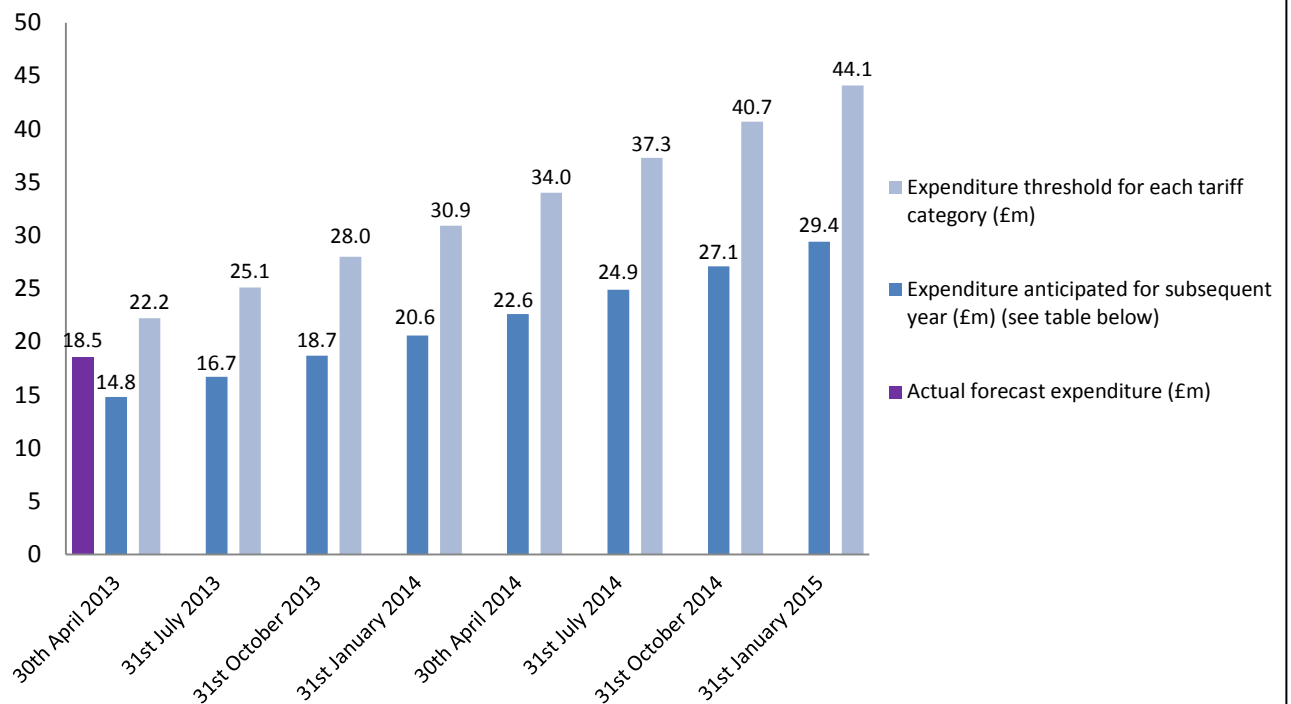
<sup>5</sup> The sum of the expenditures anticipated for the subsequent year for each tariff category is higher than the total anticipated expenditure figure for the scheme as a whole prescribed in regulations. This is due to the fact that we have set the expenditure threshold levels for large commercial heat pumps and solar thermal higher than modelled projections. For more detail please refer to Government response to the consultation on ‘Providing certainty, Improving performance’.

<sup>6</sup> As set out in the above Government response, we have scaled the triggers higher than anticipated expenditure levels to add greater flexibility into the scheme.

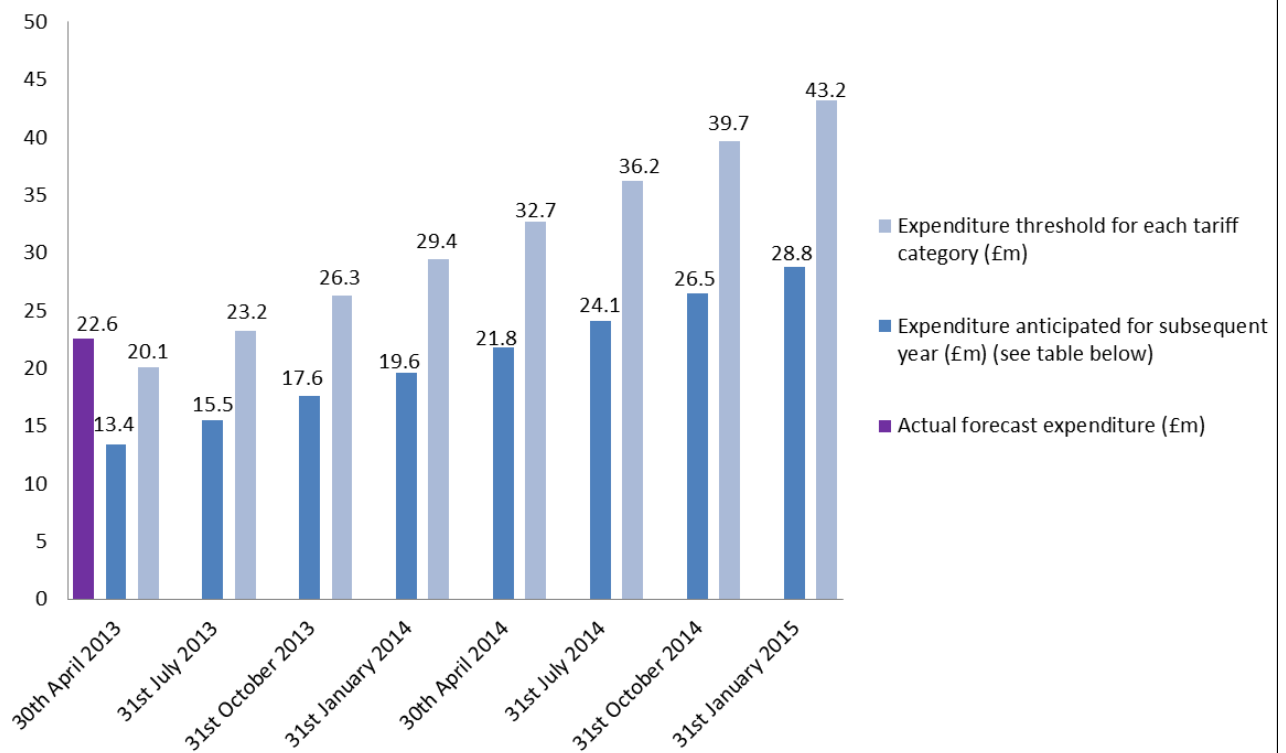


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### Small commercial biomass

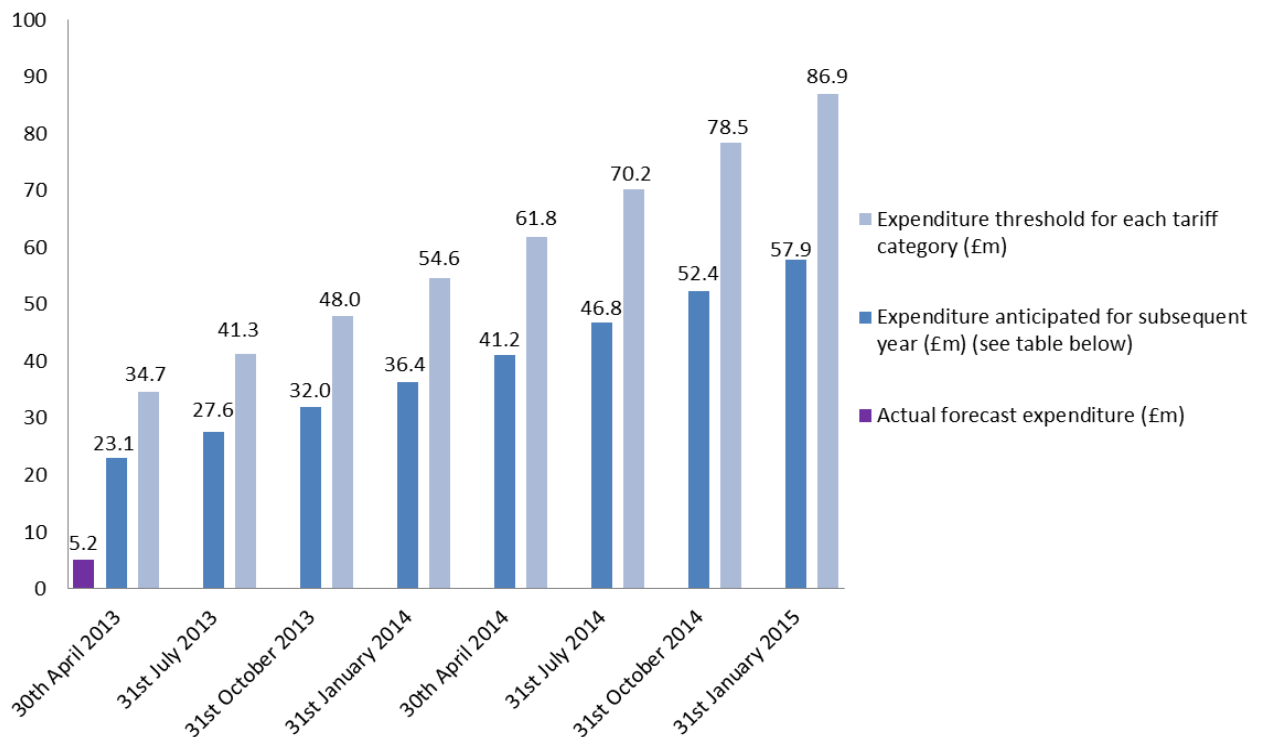


### Medium commercial biomass

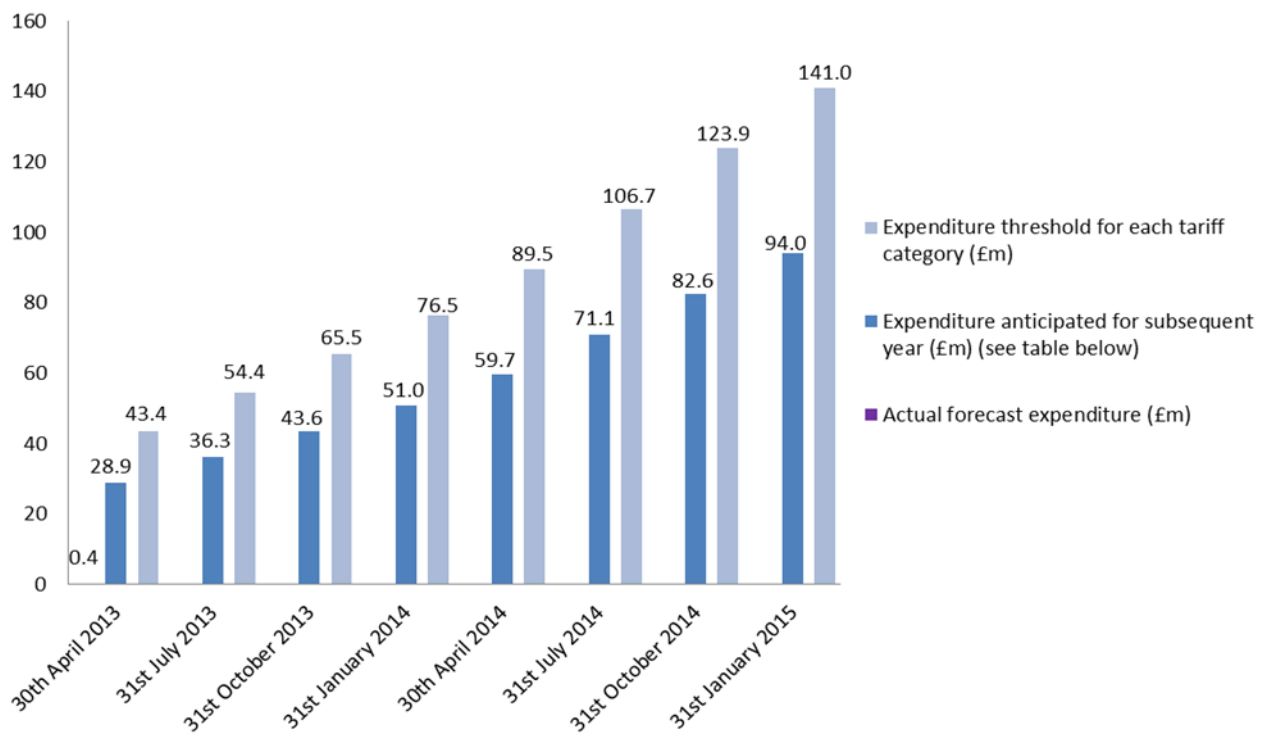




### Large commercial biomass



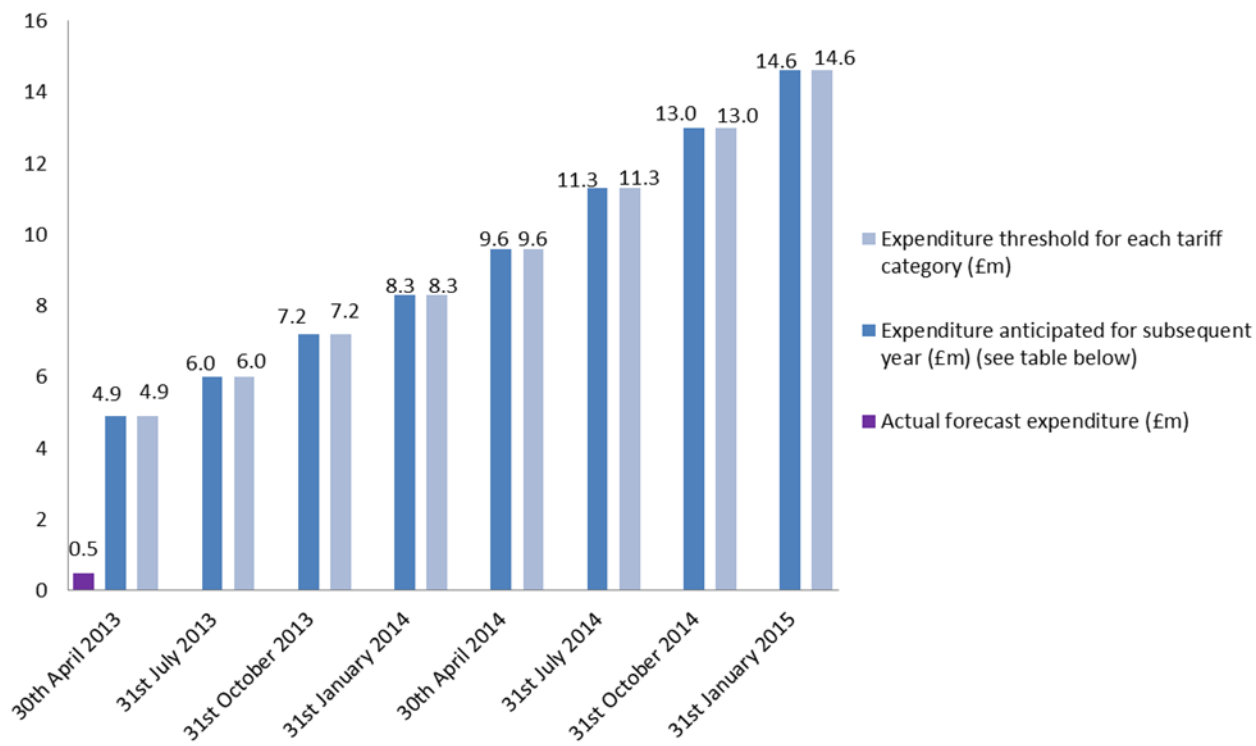
### Small commercial heat pumps



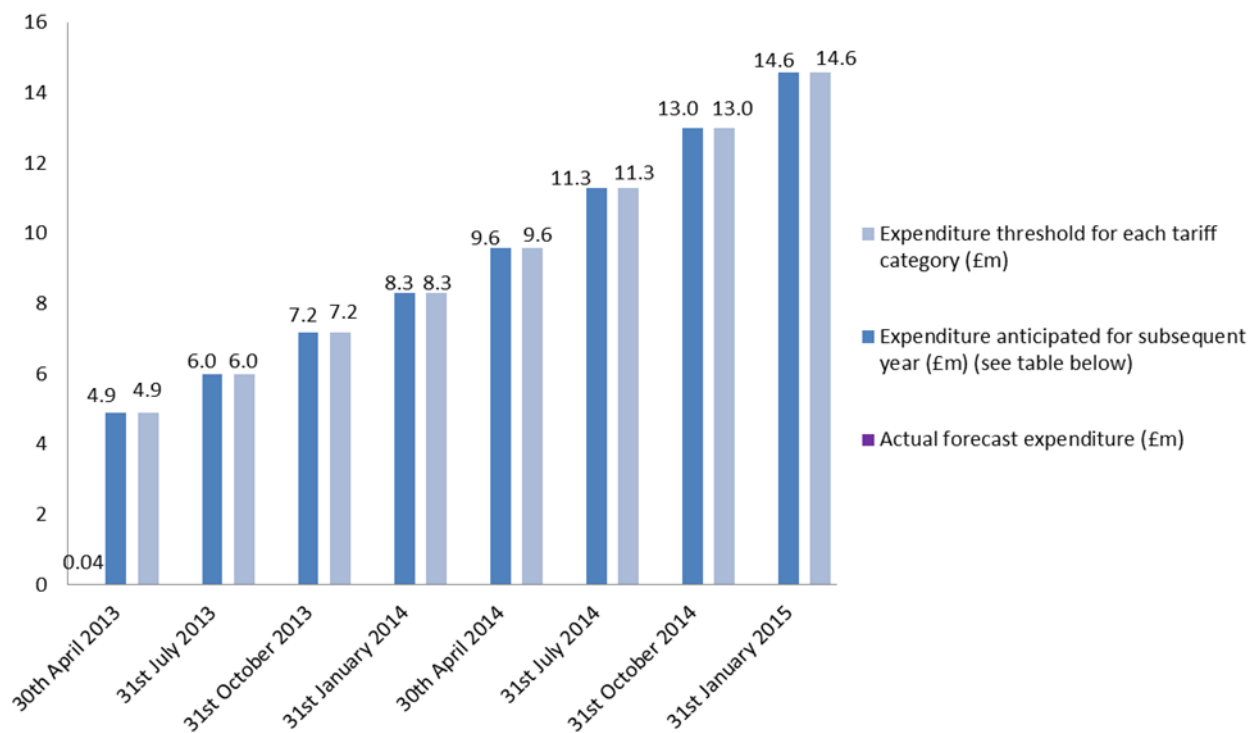


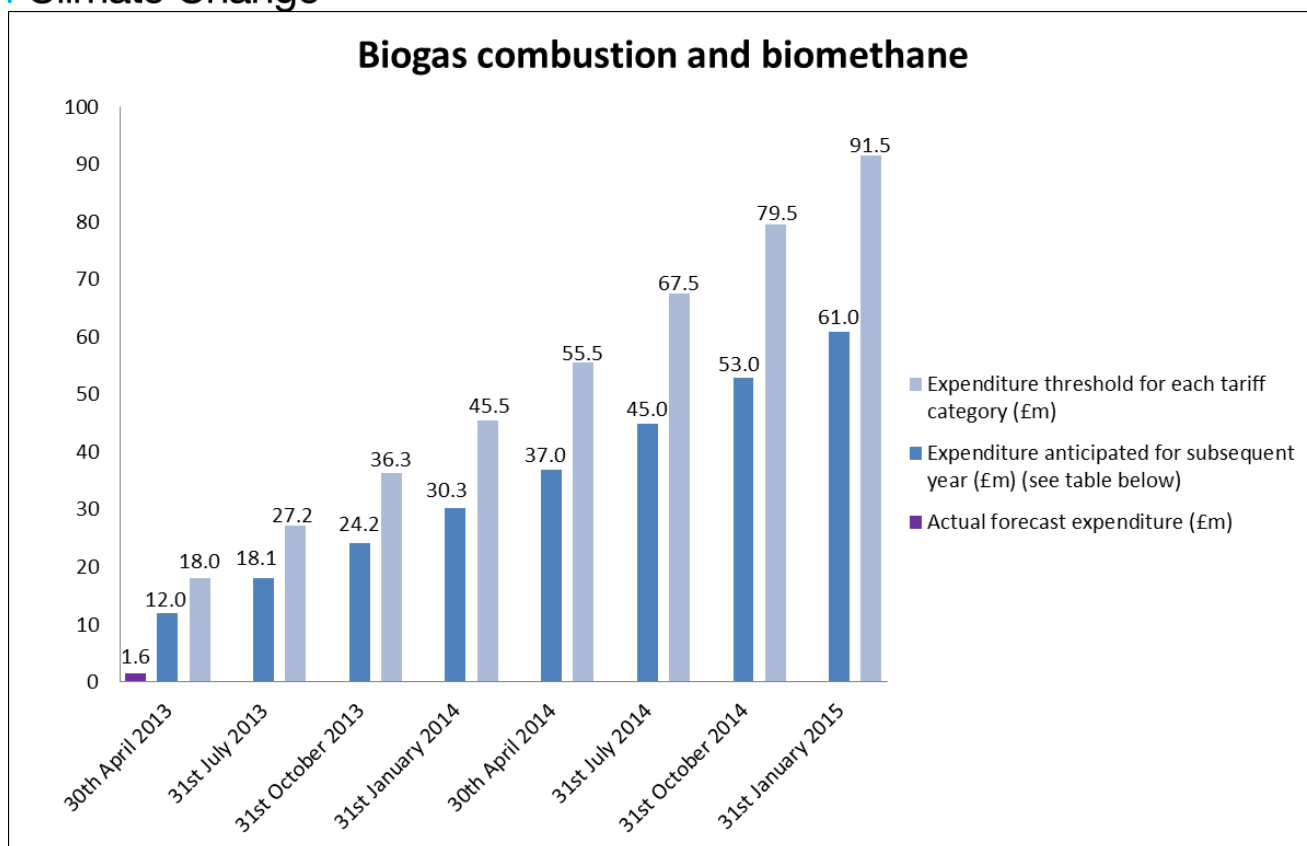
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### Large commercial heat humps



### All solar collectors





## Tables 3 and 4

### Table 3

As required by regulations, the following table shows the increase in the actual expenditure forecast (i.e. the change in the actual forecast for expenditure for each tariff category) compared to the content of the last quarterly forecast statement. This provides information as to how expenditure under a particular tariff is varying over time, and in response to possible earlier tariff reductions.

Tariff category	Actual forecast for expenditure (£m) as 30 April 2013	Actual forecast for expenditure (£m) as at 31 July 2013	Difference
Small commercial biomass	18.5	N/A	N/A
Medium commercial biomass	22.6	N/A	N/A
Large commercial biomass	5.2	N/A	N/A
Small commercial heat pumps	0.4	N/A	N/A
Large commercial heat pumps	0.5	N/A	N/A
All Solar collectors	0.04	N/A	N/A
Biogas combustion & Biomethane	1.6	N/A	N/A



#### **Table 4**

This table will only be populated if DECC had announced tariff reductions in the immediately preceding expenditure forecast statement.

Where, following an earlier tariff reduction, there has been a positive response (i.e. the level by which the actual expenditure forecast has increased is less than might otherwise have been expected), then the amount of any subsequent reduction could be zero - even if a tariff category is continuing to exceed its expenditure threshold. Conversely, if expenditure forecast continues to rise, then the level of future reductions can be set higher. The table will show by how much actual expenditure forecast has changed since the earlier reductions, and whether this means that further reductions will or will not be made.

*As this is the first publication of the quarterly forecast then Table 4 has not been provided.*



## Glossary

*(The following definitions are provided to aid understanding of the terms used within the published Tariff Change Notice and Expenditure Forecast Statement).*

<b>2020 target</b>	The principal objective of the RHI scheme is to help deliver the UK's target of generating 15% of energy from renewable sources by 2020, as set out in the Renewable Energy Directive. The Government has identified indicative contributions of renewable energy from each energy sector, i.e. electricity, heat and transport, which would allow the UK to meet the overall target as cost effectively as possible. For heat we intend that up to 12% could be generated from renewable sources by 2020, increasing from around 2% currently.
<b>Actual forecast expenditure</b> (this can be <b>total forecast expenditure</b> or <b>forecasts for each tariff category</b> )	These are estimates by DECC of the cost of RHI payments over the next 12 months, for the scheme as a whole and for <b>each tariff category</b> , if all of the installations that were accredited or registered (or had applied for preliminary accreditation, accreditation or registration) by the last <b>assessment date</b> received payments in that 12 month period. The amounts are based on data provided to DECC by Ofgem. The amounts are then compared against the <b>expenditure anticipated for the subsequent year</b> (i.e. modelled expenditure) and <b>expenditure thresholds</b> to determine whether any <b>tariff categories</b> will be <b>reduced</b> .
<b>Assessment dates</b>	These are the dates DECC refers to when calculating <b>actual forecast expenditure</b> over the next 12 months. Ofgem provides DECC with <b>data</b> as at that date to enable it to prepare the forecasts. The relevant dates are: 30 April, 31 July, 31 October and 31 January in any year.
<b>Date of accreditation</b>	Relevant to an accredited RHI installation, this means the later of: (a) the first day falling on or after the date of receipt by the Authority ("Ofgem") of the application for accreditation on which the Authority is satisfied both that the application was properly made and that the plant meets the eligibility criteria, and (b) the day on which the plant was first commissioned.
<b>Date of registration</b>	Relevant to a producer of biomethane for injection, this means the first day falling on or after the date of receipt by the Authority ("Ofgem") of the application for registration on which the Authority is satisfied that the application was properly made.
<b>Data (from Ofgem)</b>	This is data provided to DECC by Ofgem detailing the number of applications it has received for accreditation (including preliminary accreditation) or registration, as well all installations it has already accredited or registered by each <b>assessment date</b> . This data also includes details of the plant covered by each installation, including capacity, tariff type and heat load.



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<b>Expenditure anticipated for the subsequent year</b>	These are the amounts of expenditure DECC has modelled may be required if renewable heat is to make the contribution currently anticipated to the <b>2020 target</b> . DECC will compare <b>actual forecast</b> expenditure against <b>expenditure anticipated for the subsequent year</b> to determine whether any <b>tariff categories</b> need to be <b>reduced</b> .
<b>Expenditure Forecast Statement</b>	This is a quarterly statement published by DECC which sets out: <ul style="list-style-type: none"><li>- <b>Total forecast expenditure</b></li><li>- <b>Forecasts for each tariff category</b>, and</li><li>- <b>Increase in expenditure forecast</b>.</li></ul> It will be accompanied by a <b>Tariff Change Notice</b> .
<b>Expenditure threshold (or “trigger”)</b>	These are the spending thresholds which if hit, or exceeded, can lead to a tariff <b>reduction</b> . Thresholds apply to the non-domestic scheme as a whole and for each <b>tariff category</b> currently available under the scheme.
<b>Forecasts for each tariff category</b>	This is the <b>actual forecast expenditure</b> for the next 12 months for each of the <b>tariff categories</b> available under the scheme. It is based on the data provided to it by Ofgem relating to applications received or concluded as at each of the relevant <b>assessment dates</b> .
<b>Increase in expenditure forecast</b>	This is the change in the <b>actual forecast</b> for expenditure for each <b>tariff category</b> compared to the last forecast for expenditure for that tariff category.
<b>Monthly forecasts</b>	These are monthly reports published by DECC on the GOV.UK website which show <b>actual forecast expenditure</b> to date. The data they contain is for information only. They will be published by the end of each month. Each quarter, the monthly forecast will be replaced by a <b>quarterly forecast</b> .
<b>Quarterly forecast</b>	This is the name given to the quarterly publications which include the <b>Tariff Change Notice</b> and <b>Expenditure Forecast Statement</b> .
<b>Reduction</b>	This is the amount a <b>tariff category</b> will be <b>reduced</b> by, expressed as a percentage. The level of <b>reduction</b> will only be known once DECC has completed its assessment of the <b>data</b> provided to it by Ofgem. A tariff <b>reduction</b> will only be made one calendar month after the publication of the <b>tariff change notice</b> (contained in the <b>quarterly forecast</b> ).
<b>Regulations</b>	Renewable Heat Incentive Scheme Regulations 2011
<b>RHI</b>	Renewable Heat Incentive
<b>Tariff Change Notice</b>	This is a quarterly statement published by DECC which sets out whether any <b>tariff categories</b> will be <b>reduced</b> in the next <b>tariff period</b> . The Tariff Change Notice must be published on the GOV.UK website <u>by</u> 1 June, 1 September, 1 December and 1 March in any given year. It will be accompanied by an <b>Expenditure Forecast Statement</b> .
<b>Tariff period</b>	This is a 3 month period commencing 1 January, 1 April, 1 July or 1 October in any given year.



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<b>Tariff category</b>	These refer to the technology specific tariffs which are currently available under the non-domestic RHI scheme.
<b>Total anticipated expenditure</b>	This is the total cost of RHI payments over the 12 months following an <b>assessment date</b> if renewable heat technologies deploy in the way predicted by DECC's model.
<b>Total forecast expenditure (or forecast for total expenditure)</b>	This is the <b>actual forecast expenditure</b> for the next 12 months for the non-domestic scheme as a whole. It is based on the data provided to it by Ofgem relating to applications received or concluded as at each of the relevant <b>assessment dates</b> .
<b>Triggers</b>	See ' <b>Expenditure threshold</b> '

Link to [expenditure thresholds](#) contained in the schedule to the RHI Regulations.

Link to DECC official statistics – [Renewable Heat Incentive \(RHI\) and Renewable Heat Premium Payment \(RHPP\) statistics](#)

Link to Ofgem public report - [Renewable Heat Incentive Public Report](#)

[Link to Ofgem guidance](#) on the RHI

If you have any comments regarding the format of the Monthly and/or Quarterly forecast publications please email [RHI@DECC.gsi.gov.uk](mailto:RHI@DECC.gsi.gov.uk) making your email 'RHI – quarterly forecast')