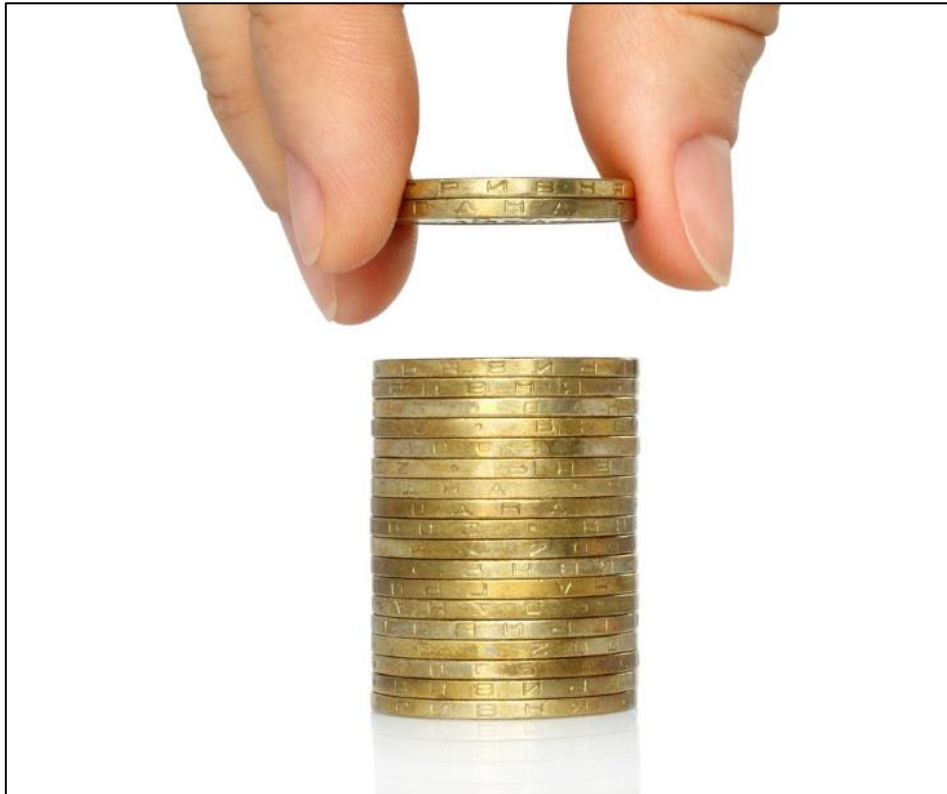


Community and Renewable Energy Scotland Toolkit Renewable Heat Incentive Module



Module Structure

This toolkit comprises two elements. One is a group of technology-specific modules to guide the development of specific projects using:

- solar thermal;
- heat pumps; and
- biomass.

The other element provides generic information on elements of the development process of which this module about the Renewable Heat Incentive is one.

This module is divided into the following sections:

- **The background to the RHI** – An overview of the Renewable Heat Incentive
- **How to apply for the RHI** – Provides the key steps and processes needed to apply for the RHI
- **Current levels of support** – What the current support levels are
- **RHI degression** – Information on how degression is applied to the RHI
- **Further Information** – appropriate links to further guidance and information

Background to the RHI

The Department of Energy and Climate Change (DECC) describes the RHI as the world's first long-term financial support programme for renewable heat.

The RHI was launched in November 2011 as a scheme for the non-domestic sector. It provides payments to industry, businesses and public sector organisations. The domestic RHI was launched in April 2014 and focusses on individual homeowners heating their own property. Interested parties should be aware that any renewable heating scheme heating more than one domestic property (i.e multiple Council Tax bills) falls under the non-domestic RHI, so for example a small scale district heating network heating domestic properties. This module covers only the non-domestic scheme.

The RHI pays participants to generate and use renewable heat energy with the objective of helping the UK reduce its greenhouse gas emissions and meet targets for reducing the effects of climate change. Policy for the RHI is set by DECC and the scheme is administered by Ofgem.

It is important to note here that the objective of the RHI is to encourage uptake and market maturity of renewable heating rather than provide a long-term mechanism to support renewable heat production. The RHI is also cash limited.

The types of heating covered by the scheme are:

- biomass boilers;
- heat pumps (ground source, water source and air to water);
- geothermal;
- solid biomass renewable CHP
- solar thermal collectors; and
- biomethane and biogas.

Payments are spread over 20 years with a payment made every 3 months. These are based on the amount of eligible heat used, and are technology and scale dependant.

Eligibility

To be eligible for the RHI:

- the equipment must be new;
- for schemes of less than or equal to 45 kilowatts thermal energy (kW_{th}), the equipment and installer must have Microgeneration Certification Scheme (MCS) or equivalent certification (if available for your type of installation);
- liquid or steam must be used to deliver the heat;
- the equipment must be used to heat a space or water, or for carrying out a process where the heat is used in a building, the exception being certain outdoor drying applications;
- a single domestic household cannot be heated (though a combination of homes sharing a heating installation might be eligible (e.g. a block of flats); and
- you cannot use a public grant to buy or install the equipment.

How to apply for the RHI

The eligibility criteria for the RHI are much more involved than those for the FIT. This is because of the different configurations of heating installations and Ofgem, as the administrators, require a number of questions to be answered and evidence to be provided to demonstrate that the eligibility criteria are being fulfilled.

Heat metering is a key area where evidence is required. Schemes are classified as 'standard' or 'multiple'. This depends on how the heat is generated, transferred around the system and then used. In turn, this dictates the metering requirements.

An example of a standard scheme might be a biomass boiler located in, and being used to fully heat, a single building. This would require only a single heat meter to be installed.

An example of a multiple scheme would be the inclusion of other heat sources, such as back-up fossil fuel boilers in the boiler room, this adds to system complexity and has the potential to introduce metering requirements for each generating plant and the provision of a heat loss assessment to account for heat losses from external pipework. In applying to the RHI you will need to follow a number of steps:

1. Complete your renewable heat installation (ensure it is fully installed and commissioned¹).
2. Gather your documentation: such as commissioning certificates and installation schematic this will enable you to answer Ofgem's questions.
3. Create an account on Ofgem's Non-Domestic RHI register.
4. Complete application form.
5. Upload evidence.

¹ For larger projects (above 1MW_{th}) there is an opportunity to apply for pre-accreditation approval, most projects will not follow this route so this has not been discussed further in this guide.

6. Verify identity and bank details.

Ofgem may well raise questions during the application process. Ensuring you have collated all the relevant documentation and information about your installation against point 2 above will facilitate responding to any questions that they may raise. The aforementioned links provide significant information that will help guide you through the process and ensure you fully understand what information is needed. Ofgem have developed short user friendly guides based upon their experience to date of dealing with accreditations.

Post acceptance responsibilities

Following receipt of your RHI accreditation, it is important to bear in mind that there are a number of ongoing obligations to comply with the RHI regulations. To comply with the RHI, you will be responsible for:

- taking meter readings and submitting your meter readings to Ofgem online on a quarterly basis;
- regular maintenance of all equipment and heat meters in line with manufacturers' instructions and keeping a record of your maintenance schedule;
- for biomass installations keeping purchase receipts covering the quantity of fuel used by biomass heating systems or, if harvesting from your own woodland, a record of deliveries made to the boiler house, including a note of where the harvesting has taken place. Ofgem has produced the 'Guide to keeping records for participants using 100% biomass fuel';
- RHI participants using biomass fuel also need to ensure that their fuel meets the RHI sustainability criteria and demonstrate this to Ofgem in order to claim RHI payments. Fuel must meet a lifecycle greenhouse gas (GHG) emissions criteria of 60 per cent GHG savings against the EU fossil fuel average. To ensure this is the case, all fuel should be purchased from a supplier listed on the Biomass Suppliers List (see 'Further Information');
- notifying Ofgem of any significant changes to your installation or heat use; and
- submitting an annual declaration confirming compliance with your obligations.

At any time, a scheme participant may be selected for an audit, a site inspection or both.

Support tariff levels

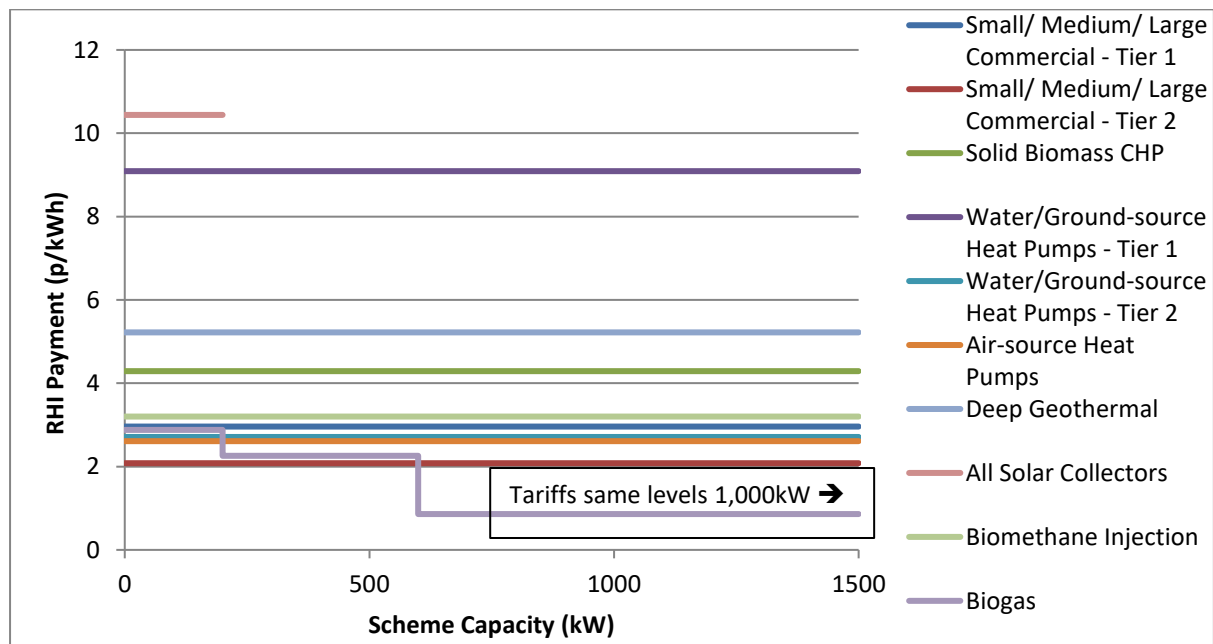
RHI tariff levels are subject to regular review, so it is worth ensuring you are aware of the latest tariffs. See 'Further Information' for the link to the up to date tariffs from Ofgem.

The RHI includes for certain technologies a tiered tariff payment mechanism. Tier 1 exists to cover the majority of annual usage for a boiler with the tariff level designed to cover the capital and running costs of the installation. The tier 2 tariff which is at a lower level mitigates installations generating additional heat solely for the purpose of generating revenue and provides support for the cost of biomass fuel.

The tier break is defined as the installed thermal capacity of the unit multiplied by 1,314 peak load hours (15% of the annual rated output). Tier 2 applies to any qualifying useful heat produced above the tier break.

For indicative purposes, Figure 1 shows the tariff rates for 1st January 2018.

Figure 1: Eligible RHI tariffs for installations with an accreditation date on or after the 20th September 2017 (Source: Ofgem 2018)



Note that separate tariffs exist for deep geothermal, biomethane and biogas, we have not included the tariffs in the above figure for ease of viewing. These technologies are less likely to be part of a community scale development, further detail on tariff levels for these technologies is available from Ofgem’s website (see ‘Further Information’).

RHI depression

As mentioned, to ensure that the RHI remains financially sustainable and provides value for money to the taxpayer, DECC introduced a depression mechanism to regulate the level of RHI payments. Under this mechanism, the tariffs paid to new RHI recipients will reduce if uptake of the RHI is higher than DECC forecasts. Conversely if uptake is less than DECC forecasts, tariffs will increase. Note that depression only applies to new entrants to the RHI, once an installation is accredited the tariff levels are fixed (subject to inflation indexes), this enables any new project to plan financially for the lifetime of the project. Since the start of the non-domestic RHI tariff levels have reduced for biomass and increased for ground source heat pumps. The forecasts used are of the level of renewable heat needed to achieve the heat proportion of the UK’s 2020 renewable energy targets.

The depression mechanism is complex, with reviews under taken every 3 months based on uptake of the RHI. If deployment is higher than specified trigger levels, then the RHI for new schemes can be reduced by 5% or more. DECC have announced that as of 1st April 2015, there will be a 15% reduction to the small commercial biomass tariff.

Information required for funding applications

It is important to ensure that you keep a record of the information you have gathered in anticipation of an RHI application, as RHI income will be important to lenders when they are deciding on whether to fund a project. It is not possible to be accepted on to the RHI scheme until after your system is commissioned. Therefore it is important to be able to show progress in your accreditation process during the early stages of engaging with a lender.

Further Information

RHI eligibility: <https://www.ofgem.gov.uk/environmental-programmes/non-domestic-renewable-heat-incentive-rhi/eligibility-non-domestic-rhi>

Ofgem guidance and forms <https://www.ofgem.gov.uk/environmental-programmes/non-domestic-renewable-heat-incentive-rhi/how-apply-non-domestic-rhi>

Ofgem has also produced a 'frequently asked questions' guide on metering. This can be found at: <https://www.ofgem.gov.uk/ofgem-publications/63959/renewable-heat-incentive-faqs-metering.pdf>

Information on the requirements for keeping fuel records: <https://www.ofgem.gov.uk/ofgem-publications/82674/guidetokeepingfuelrecordsforbiomass.pdf>

The Biomass Supplier List and supporting information: <http://biomass-suppliers-list.service.gov.uk/>

The latest RHI tariffs can be found at: <https://www.ofgem.gov.uk/environmental-programmes/non-domestic-renewable-heat-incentive-rhi/tariffs-apply-non-domestic-rhi-great-britain>

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