



**Domestic RHI**  
Annual Report 2020-2021



Making a positive difference  
for energy consumers

## Executive Summary

The Domestic Renewable Heat Incentive (DRHI) is a government financial incentive to promote the use of renewable heat. Switching to heating systems that use renewable energy sources can help the UK reduce its carbon emissions and meet its renewable energy targets. Applicants who are accredited to the scheme and meet their ongoing obligations receive quarterly payments, for seven years, for the amount of clean, green renewable heat it's estimated their system produces. This report summarises activity during the seventh year of the scheme (SY7) covering the period 01 April 2020 to 31 March 2021.

2020-21 saw over 15,000 applications submitted for the scheme, an increase of 8.4% from the previous year. Despite higher application volumes, 2020-21 saw 5.8% lower accreditation levels compared to last year at 11,586, bringing total accreditations to 87,337. Application activity was weighted towards the end of the scheme year, with January (+16%), February (+28%) and March (+50%) all exceeding the monthly average for 2020-21. The increased volume of applications received in this last quarter means that a number of accreditation decisions will be made in the next scheme year. Air source heat pumps (ASHP) remain the dominant technology type accounting for 83.8% of accreditations in 2020-21 (and 62% of accreditations throughout the scheme's lifetime).

A key scheme objective is the replacement of domestic heating systems with lower carbon alternatives. To monitor this DRHI applicants are required to provide details of the heating system being replaced. Almost 45,000 boilers have been replaced through the scheme and form the majority of replaced systems at 51.4% of the total, 42,928 of these used fossil fuels such as oil, gas, coal and liquified petroleum gas (LPG). 'First heating systems' installed in custom builds<sup>1</sup> where no heating technology was being replaced, accounted for 17,016 (19.5%) of the total and storage heaters a further 16,227 (18.6%).

Payments are made to accredited installations on a quarterly basis for seven years, subject to participants meeting scheme eligibility requirements and ongoing compliance requirements. In 2020-21, payments totalled approximately £144.6 million, taking payments since the start of the scheme to approximately £673.2 million. Total renewable heat generated by accredited installations is now 5,834.88 GWh and we estimate that carbon savings over the lifetime of the scheme will be around 5.3Mt CO<sub>2</sub>.

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<sup>1</sup> [Link to information on custom builds on the DRHI scheme](https://www.ofgem.gov.uk/environmental-and-social-schemes/domestic-renewable-heat-incentive-domestic-rhi/contacts-guidance-and-resources/key-terms-explained-domestic-renewable-heat-incentive): <https://www.ofgem.gov.uk/environmental-and-social-schemes/domestic-renewable-heat-incentive-domestic-rhi/contacts-guidance-and-resources/key-terms-explained-domestic-renewable-heat-incentive>

As part of our commitment to protect and ensure the effective use of taxpayer money, Ofgem conduct an annual audit programme to make sure participants are complying with scheme rules. These include “desk” audits which involve us asking participants to supply certain documents and records for inspection, and “site” audits which consist of an inspection of the heating system in addition to documents and records. Site inspections are carried out by an external auditor appointed by Ofgem. In 2020-21 we conducted a total of 1,586 audits, made up of 867 desk audits and 719 site audits. Installations can be selected for audit through either statistical or targeted methods. For statistical audits a number of installations are selected randomly from the population. Targeted audits are identified through the use of referrals from internal teams and data analytics, where we aim to identify sites that may have an increased risk associated to non-compliance with the scheme. As well as providing assurance of payments totalling £673.2m to date, the audit work carried out in 2020-21 resulted in the protection of over £700,000 in public funds.

The DRHI scheme is planned to close to new applicants at the end of March 2022.<sup>2</sup>

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## Feedback

We value your feedback on this report. Please contact us at [EServeFeedback@ofgem.gov.uk](mailto:EServeFeedback@ofgem.gov.uk) with any comments or suggestions.

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<sup>2</sup> [Link to BEIS consultation, 'Domestic Renewable Heat Incentive: ensuring a stable scheme'](https://www.gov.uk/government/consultations/domestic-renewable-heat-incentive-ensuring-a-stable-scheme)  
<<https://www.gov.uk/government/consultations/domestic-renewable-heat-incentive-ensuring-a-stable-scheme>>

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## Associated Documents

- The legislation which underpins the Domestic Renewable Heat Incentive (DRHI) scheme can be viewed on the legislation.gov.uk website:

[Link to the DRHI section of the legislation.gov.uk website](#)

<<https://www.legislation.gov.uk/primary+secondary?title=Domestic%20renewable%20heat>>

- The annual reports for all previous scheme years along with other DRHI scheme data is published on our website:

[Link to DRHI Public Reports and Data](#)

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

- Guidance and resources in relation to the DRHI including how to apply can be found on our website here:

[Link to DRHI guidance and resources](#)

<<https://www.ofgem.gov.uk/environmental-programmes/domestic-rhi/contacts-guidance-and-resources/documents-and-videos>>

- The Department for Business, Energy & Industrial Strategy (BEIS) publish DRHI statistics on the gov.uk website:

[Link to DRHI statistics](#)

<<https://www.gov.uk/government/collections/renewable-heat-incentive-statistics>>

- Please note that a spreadsheet containing all the data used in the production of this report is published alongside the report on our website.

## Legislative Context

The Domestic Renewable Heat Incentive (DRHI) was introduced in England, Scotland and Wales in April 2014 by the Department for Energy and Climate Change (DECC)<sup>3</sup> and is a financial incentive designed to encourage the uptake of renewable heating systems. Its aim is to cut carbon emissions in Great Britain and to help towards meeting the UK's renewable energy targets.

The scheme is set out in legislation under The Domestic Renewable Heat Incentive Scheme Regulations 2014 ('the Regulations') and subsequent amendments. There are four eligible technologies under the scheme; air source heat pumps (ASHP), ground source heat pumps (GSHP), biomass boilers and solar thermal panels, each with different eligibility requirements. The Regulations do not impose a limit on capacity, but systems must be certified by the Microgeneration Certification Scheme (MCS), which has a thermal limit of 45kW for a single renewable heating product. Products may be combined in capacity of not more than 70kW to meet larger heat demands.<sup>4</sup>

The Gas and Electricity Markets Authority (the Authority) is the statutory body responsible for administering the DRHI scheme in Great Britain (GB). The Authority's functions are performed by Ofgem, the office of the Authority. As administrator Ofgem performs a number of functions, including:

- publishing guidance,
- the review of applications to join the scheme,
- ensuring that accredited scheme participants continue to meet their ongoing obligations,
- calculate and make payments to accredited participants, and
- ensuring the scheme is guarded against fraud and error.

The Regulations require us to produce and publish an annual report on the scheme by 31 July following the end of a scheme year. Each scheme year covers the period 1 April to 31 March with this report covering 1 April 2020 to 31 March 2021 - also referred to as Scheme Year 7 (SY7).

The Regulations set out what should be included in this annual report. However, we also include additional information that we believe is of interest to stakeholders and the general public.

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<sup>3</sup> From July 2016 the new Department for Business, Energy & Industrial Strategy (BEIS) assumed the roles and responsibilities of the Department of Energy and Climate Change (DECC)

<sup>4</sup> As specified by MCS standards. [Link to the MCS Standards](https://mcscertified.com/standards-tools-library/): <https://mcscertified.com/standards-tools-library/>

## Changes to the Scheme

In February 2021, the Department for Business, Energy and Industrial Strategy (BEIS), published their consultation 'Domestic Renewable Heat Incentive: ensuring a stable scheme'.<sup>5</sup> The consultation outlined BEIS' proposal to close the scheme in March 2022 and further amendments to the scheme rules.

We continue to work closely with BEIS to ensure the scheme is being delivered effectively and in accordance with policy, and to implement any changes made to the legislation. During the lifetime of the DRHI scheme, there have been several scheme changes and proposed changes which are highlighted in the table below:

Date of change	Details of change
1 April 2021 <sup>6</sup>	Government removed the rule for applicants submitting their application within 12 months of the first commissioning date of their renewable heating system. Government also revised the degression triggers to remove installations that had reached the end of their 7-year term from those calculations.
11 March 2020 <sup>7</sup>	Government announced that the DRHI would be extended for an additional year until 31 March 2022.
22 May 2018	The amendment in 2018 included metering for performance requirements for heat pumps, new Metering and Monitoring Service Package (MMSP) payment schedules and enforcement powers, the introduction of Assignment of Rights (AoR) <sup>8</sup> , revised degression thresholds, as well as extending the RHI's budget management mechanism until the end of 2020-21.
20 September 2017	This amendment included tariff uplifts for three of the four technology types and introduced heat demand limits which are used to cap the financial support that individual installations can receive.
March 2016	BEIS published a consultation on the scheme. In their consultation response <sup>9</sup> it was determined that the changes would be implemented in two stages which were implemented in September 2017 and May 2018.

<sup>5</sup> [Link to government consultation on 2022 scheme changes:](https://www.gov.uk/government/consultations/domestic-renewable-heat-incentive-ensuring-a-stable-scheme)

<<https://www.gov.uk/government/consultations/domestic-renewable-heat-incentive-ensuring-a-stable-scheme>>

<sup>6</sup> [Link to information on April 2021 scheme changes:](https://www.gov.uk/government/publications/changes-to-the-renewable-heat-incentive-rhi-schemes/11-january-2021-changes-to-the-domestic-rhi-regulations-government-response) <https://www.gov.uk/government/publications/changes-to-the-renewable-heat-incentive-rhi-schemes/11-january-2021-changes-to-the-domestic-rhi-regulations-government-response>

<sup>7</sup> [Link to information on March 2020 scheme changes:](https://www.gov.uk/government/publications/changes-to-the-renewable-heat-incentive-rhi-schemes/changes-to-rhi-support-and-covid-19-response) <<https://www.gov.uk/government/publications/changes-to-the-renewable-heat-incentive-rhi-schemes/changes-to-rhi-support-and-covid-19-response>>

<sup>8</sup> AoR applications were eligible from 27 June 2018

<sup>9</sup> [Link to BEIS consultation response:](https://www.gov.uk/government/consultations/the-renewable-heat-incentive-a-reformed-and-refocused-scheme) <<https://www.gov.uk/government/consultations/the-renewable-heat-incentive-a-reformed-and-refocused-scheme>>

## Responding to COVID-19

Throughout the COVID-19 pandemic we have continued to deliver our statutory functions in administering the DRHI scheme, working hard to effectively mitigate disruption and manage areas that have the most impact on participants.

BEIS have been monitoring and considering the impacts of COVID-19 on scheme applicants and participants. Ofgem has maintained an open dialogue with BEIS regarding this as we carry out our work. Where working in accordance with the DRHI Regulations leads to difficulties in our administration or for applicants, we raised this with BEIS so amendments to the regulations or changes to our administrative processes can be considered.

Following Ofgem's feedback through this dialogue, government decided on 1 April 2021 to remove the rule for applicants submitting their DRHI application within 12 months of the first commissioning date of their renewable heating system.<sup>10</sup> This became applicable for all installations carried out from 1 March 2019, enabling applicants who would have otherwise been rejected for failing to meet this rule to reapply to the scheme. This was intended to ensure that those who were unable to apply within 12 months due to the impacts of COVID-19 were not prevented from joining the scheme.

To adapt to the COVID-19 pandemic and the government requirement for staff to work from home, we reduced the RHI phone line availability to two hours per day, increasing to three hours in May, and then six hours in November. To ensure consumers were aware of this change, we updated our telephone messaging and provided updates on the Ofgem website. We were aware this shift would lead to a higher number of emails and made sure that sufficient staff members were available to respond to these queries.

In our audit and assurance work, we relaxed initial evidence deadlines and where participants were at risk of having payments suspended, allowed an additional 28 days to comply with scheme requirements. An initial pilot for remote audits ultimately led to 80 video audits in place of some in-person site audits. We also requested that participants have relevant information prepared before in-person visits, to limit close interaction and maintain social distance; alternatively, this could be sent prior to the site inspection. As a result we were able to carry out site audits throughout the year, even with participants anxious about granting property access to auditors in light of the COVID-19 pandemic.

The adjustments we implemented have allowed us to deliver a high level of service to stakeholders, including ensuring that participants are paid for the heat they generate, on time.

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<sup>10</sup> [Link to notice on extension of the Domestic Renewable Heat Incentive Scheme \(DRHI\)](https://www.gov.uk/government/publications/changes-to-the-renewable-heat-incentive-rhi-schemes/changes-to-rhi-support-and-covid-19-response):

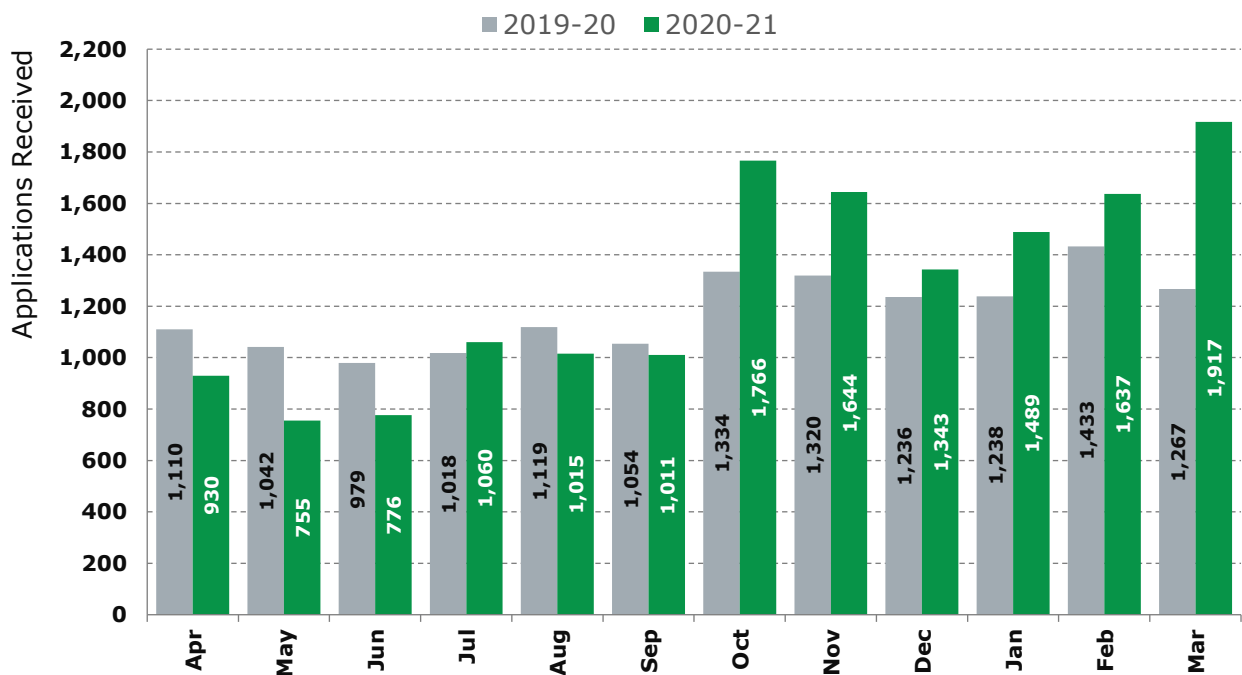
<<https://www.gov.uk/government/publications/changes-to-the-renewable-heat-incentive-rhi-schemes/changes-to-rhi-support-and-covid-19-response>>



# 1. Applications & Accreditations

1.1. Overall application volumes were higher in 2020-21 (15,343) compared to 2019-20 (14,150), an increase of 8.4%. This continues the trend of increasing application volumes over the last few years, though this year’s increase is modest compared to the 42% increase between 2018-19 and 2019-20. The monthly application volumes over 2019-20 and 2020-21 can be seen in **Figure 1.1** below.

**Figure 1.1: DRHI applications received during 2019-20 and 2020-21**



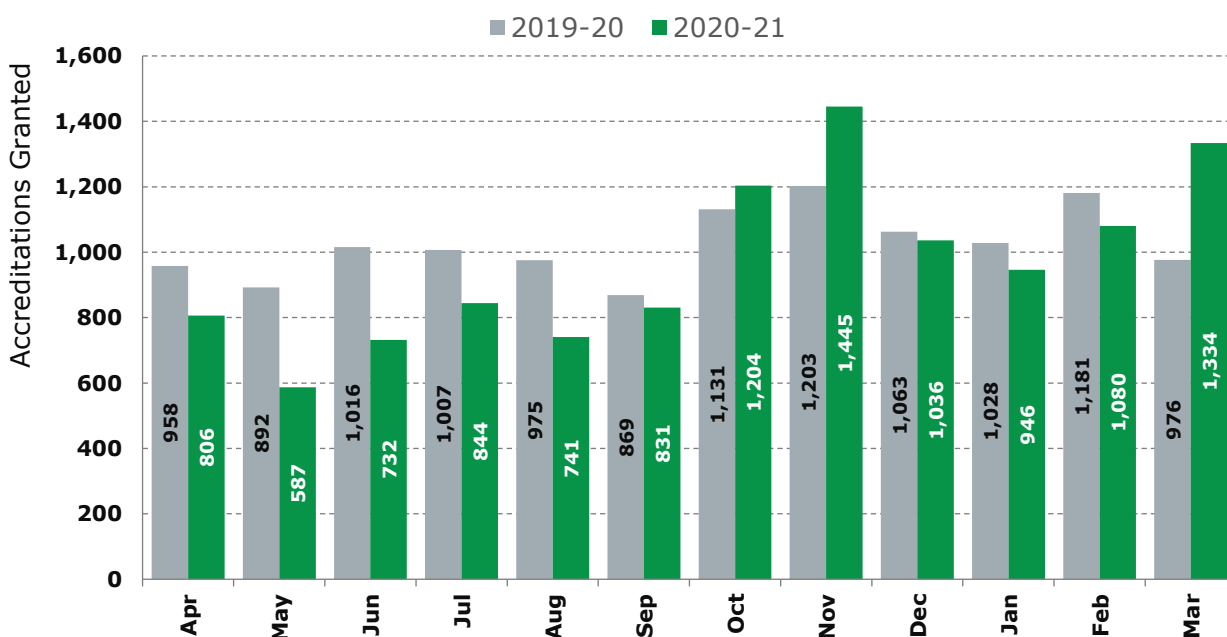
1.2. The volume of applications being received from April to June was around 21% below the levels in the equivalent period during 2019-20. This reduction broadly coincides with the first COVID-19 lockdown. In contrast to this, application activity was around 25% higher than 2019-20 between October to March. March in particular saw application volumes 51% higher than 2019-20, topping off the increase in applications towards the end of the year.

1.3. The volume of applications being made has a direct impact on the volume of installations being accredited onto the scheme. This can be seen in **Figure 1.2** which clearly shows the results of the increased application rate from October 2020 onwards.

1.4. 2020-21 saw a total of 11,586 accreditations granted, 5.8% lower than 2019-20’s 12,299 accreditations. In addition to granting accreditations, we also rejected 2,745 applications. This means that there was a rejection rate of 19.2% of processed applications. For comparison the rejection rate during 2019 -20 was 13.9% of processed applications.

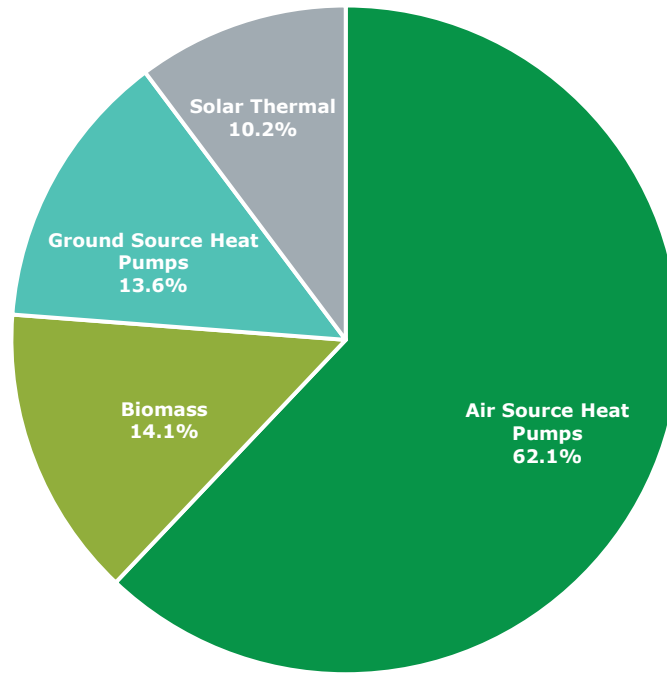
- 1.5. Many applications are rejected automatically by the system when the information provided on the application form demonstrates that the applicant does not meet scheme eligibility requirements. Where an accreditation decision cannot be made automatically the application requires a manual review; where additional evidence can be obtained from the applicant before a decision is made.
- 1.6. We have implemented several IT changes to the application form over the year, resulting in a greater number of applications being automatically rejected. Most rejections are due to user error completing the application form, for example where the information entered does not match the details held on the MCS database. As such if an error has been made, when provided with feedback on the reason for rejection, the applicant can correct those errors and immediately reapply. This results in a quicker accreditation decision for the applicant and avoids unnecessary administrative burden conducting a manual review.
- 1.7. It should be noted that due to the volume of applications towards the end of the year, a significant number undergoing manual review will receive their accreditation decision in the next scheme year.

**Figure 1.2: DRHI accreditations by month 2019-20 and 2020-21**



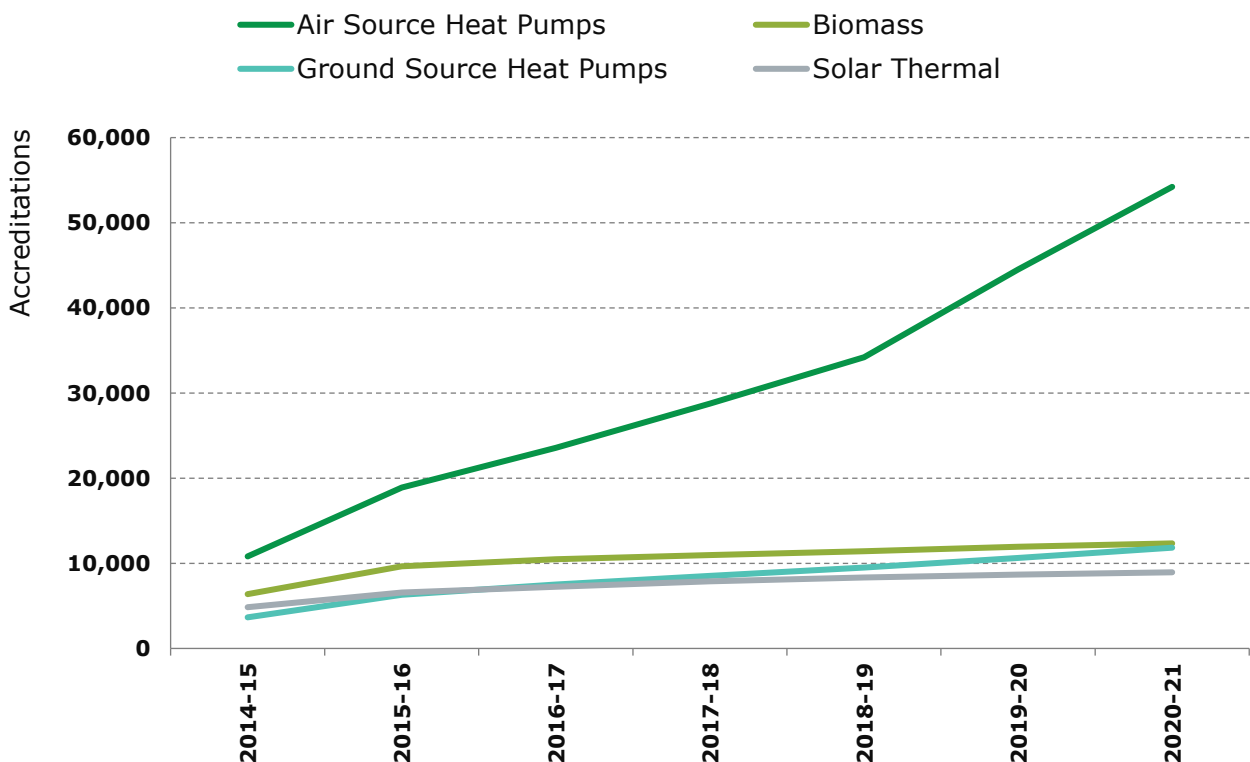
- 1.8. A total of 87,337 accreditations have been granted since the start of the scheme. A percentage breakdown of these accreditations by technology type can be seen in **Figure 1.3**. Air source heat pumps (ASHP) are the dominant technology type with 62.1% of accreditations. In 2020-21 ASHPs accounted for 83.8% of accreditations highlighting this technology’s increasing rate of deployment over time, relative to the other technology types.

**Figure 1.3: Accreditations by technology type since scheme launch (%)**



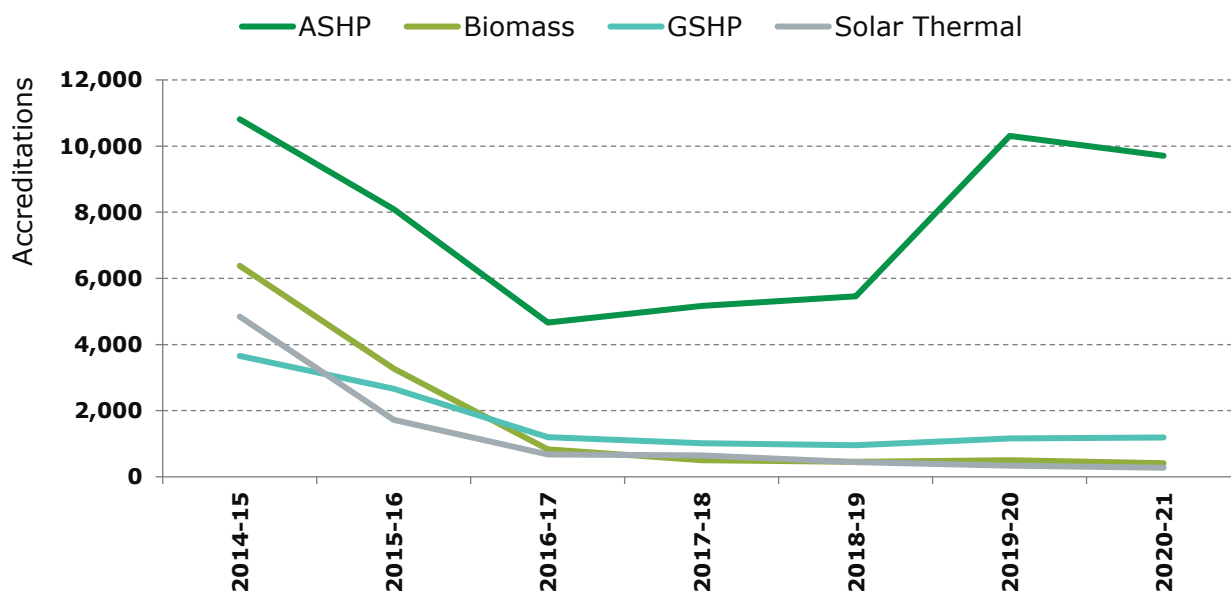
1.9. **Figure 1.4** shows the cumulative number of accreditations granted by technology type since the start of the scheme. Higher initial accreditation rates across all technologies reflects the processing of legacy applications, with trajectories from 2015-16 onwards reflecting non-legacy accreditations.

**Figure 1.4: Cumulative accreditations by technology type**



- 1.10. Legacy applications are those which commissioned prior to the launch of the DRHI scheme. The government first announced their intention to introduce a domestic renewable heat incentive on 15 July 2009.<sup>11</sup> From this point until scheme launch, those installing eligible technologies and meeting the other scheme eligibility requirements were promised they would be able to benefit from the scheme. This meant there was a backlog of eligible 'legacy' installations when the scheme launched on 9 April 2014. Scheme rules meant that Legacy applicants had to apply before 9 April 2015.
- 1.11. In addition to the higher rate of accreditations at the start of the scheme **Figures 1.4, 1.5 and Table 1.1** also illustrate the dominance of ASHP accreditations. ASHP accreditations fell rapidly until 2016-17, gradually rising thereafter in line with the tariff uplift applied on 17 September 2017 for ASHP, ground source heat pumps (GSHP) and biomass installations.<sup>12</sup> The impact of this was most noticeable on ASHP accreditation rates.
- 1.12. ASHPs saw a more significant increase in deployment levels from 2019-20 onwards. This increase has not been driven by a change in available tariffs or another policy amendment. It is likely to at least in part to be driven by a growth in consumer awareness of heat pumps in the private retrofit sector, and by social landlords increasingly having carbon or net zero targets to meet.

**Figure 1.5: Annual accreditations by technology type**



<sup>11</sup> [Link to UK Renewable Energy Strategy 2009:](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/228866/7686.pdf)

<[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/228866/7686.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/228866/7686.pdf)>

<sup>12</sup> [Link to factsheet on DRHI tariffs:](https://www.ofgem.gov.uk/publications-and-updates/domestic-rhi-tariffs-and-payments) <<https://www.ofgem.gov.uk/publications-and-updates/domestic-rhi-tariffs-and-payments>>

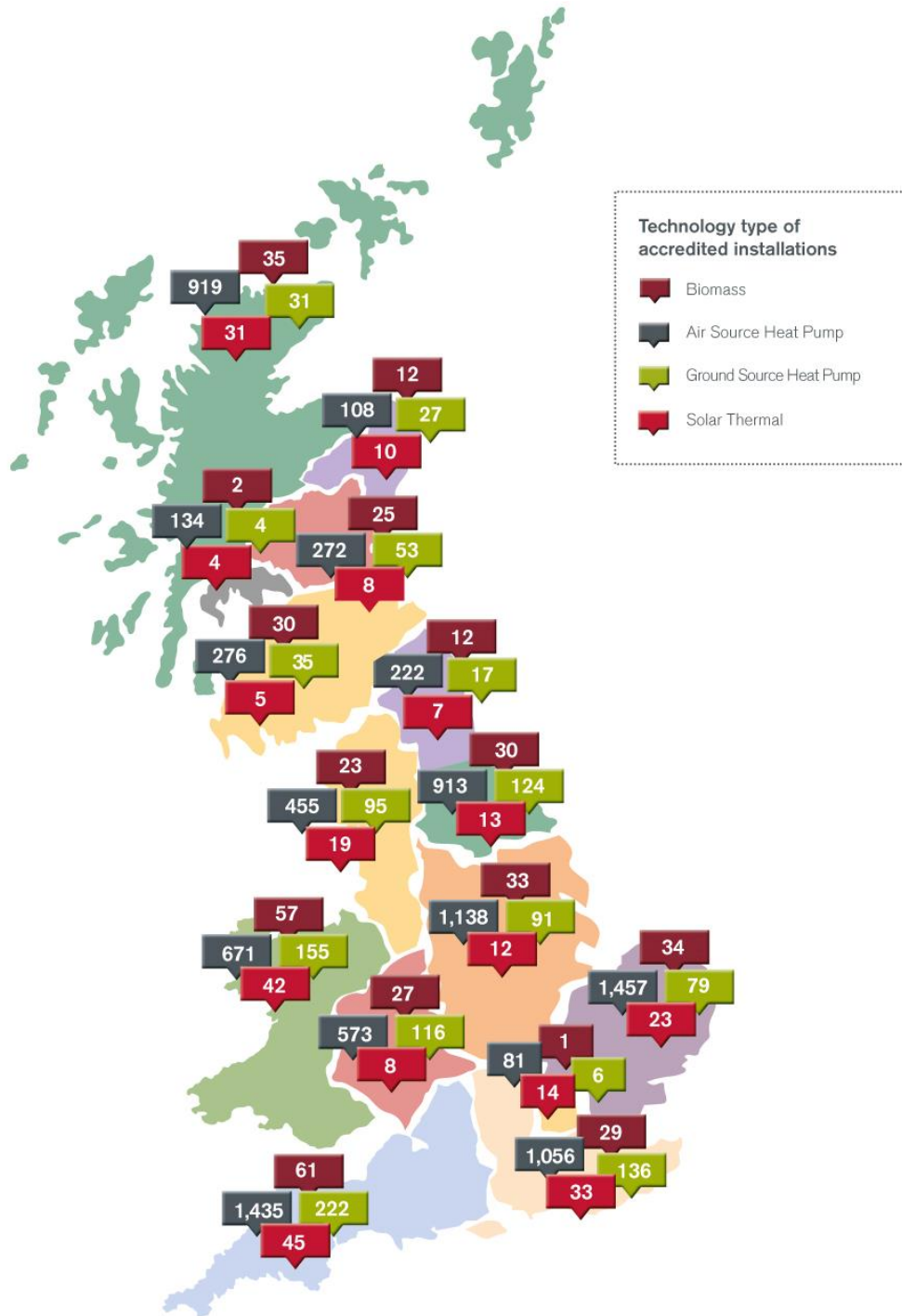
**Table 1.1: Annual accreditations by technology type**

<b>Technology</b>	<b>14-15</b>	<b>15-16</b>	<b>16-17</b>	<b>17-18</b>	<b>18-19</b>	<b>19-20</b>	<b>20-21</b>	<b>Total</b>
ASHP	10,811	8,094	4,664	5,168	5,462	10,308	9,710	<b>54,217</b>
Biomass	6,380	3,266	829	505	451	497	411	<b>12,339</b>
GSHP	3,655	2,659	1,198	1,019	955	1,160	1,191	<b>11,837</b>
Solar thermal	4,844	1,722	679	643	448	334	274	<b>8,944</b>
<b>Total</b>	<b>25,690</b>	<b>15,741</b>	<b>7,370</b>	<b>7,335</b>	<b>7,316</b>	<b>12,299</b>	<b>11,586</b>	<b>87,337</b>

1.13. It should be noted that although the window for legacy applications has closed it is still possible for Legacy applications to be made, but only where ownership of a previously accredited installation has changed. There are 1,114 accreditations of this type that have been made between 2015-16 and 2020-21, with the number increasing by 175 during 2020-21. This brings the total number of legacy accreditations to 24,037.

1.14. **Figure 1.6** shows geographical distribution of accreditations by technology type in 2020-21. There were 8,640 accreditations in England, 2,021 in Scotland and 925 in Wales.

**Figure 1.6: Geographic distribution of accreditations in 2020-21**



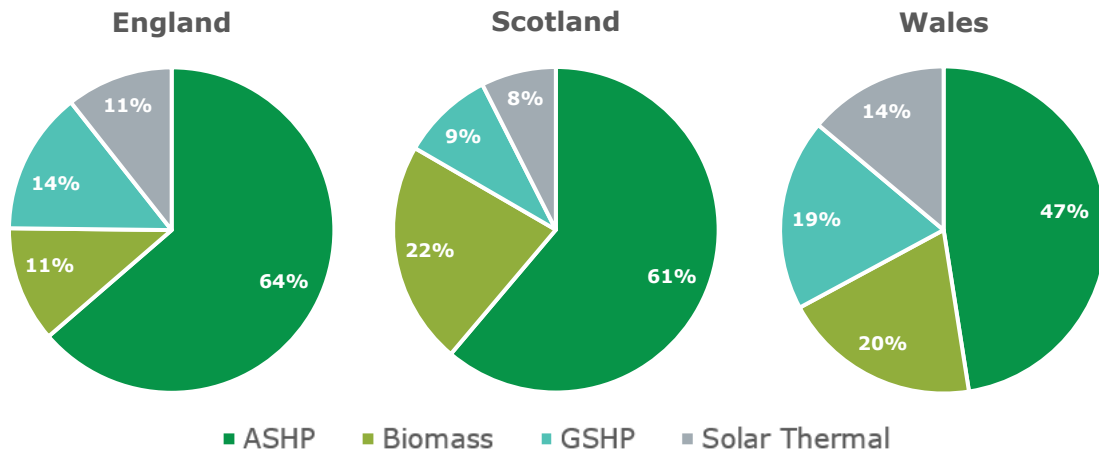
1.15. Since scheme launch, the majority of accredited installations have been located in England (64,523) followed by Scotland (16,848) and Wales (5,966). A full breakdown of accredited installations since scheme launch by region and technology type can be seen in **Table 1.2**.

**Table 1.2: Accreditations since scheme launch by region and technology**

Location	ASHP	Biomass	GSHP	Solar thermal	Grand Total
South West	7,565	1,645	2,076	1,784	<b>13,070</b>
East of England	8,459	842	1,070	857	<b>11,228</b>
South East	6,557	623	1,431	1,554	<b>10,165</b>
East Midlands	6,134	903	1,065	529	<b>8,631</b>
Yorkshire and The Humber	5,108	1,189	1,153	522	<b>7,972</b>
Highlands and Islands	4,090	1,318	488	520	<b>6,416</b>
Wales	2,835	1,170	1,132	829	<b>5,966</b>
West Midlands	2,851	738	1,154	628	<b>5,371</b>
Southern Scotland	3,736	1,069	324	158	<b>5,287</b>
North West	2,611	981	909	467	<b>4,968</b>
East Scotland	1,475	872	422	381	<b>3,150</b>
North East	1,413	502	232	270	<b>2,417</b>
North East Scotland	636	340	260	166	<b>1,402</b>
London	378	8	67	248	<b>701</b>
West Central Scotland	369	139	54	31	<b>593</b>
<b>Grand Total</b>	<b>54,217</b>	<b>12,339</b>	<b>11,837</b>	<b>8,944</b>	<b>87,337</b>

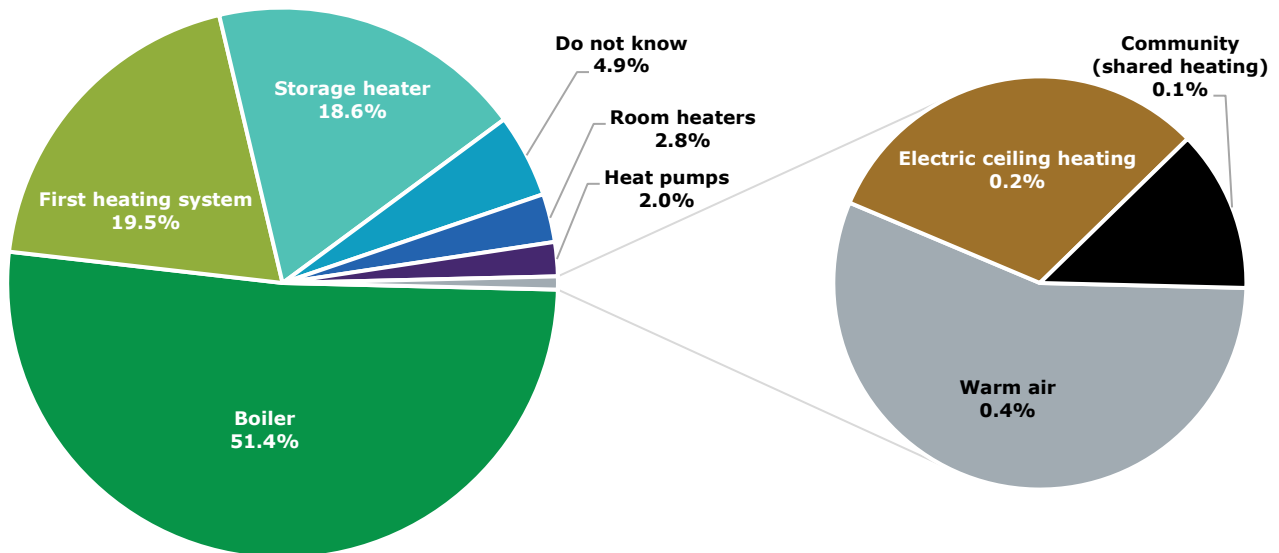
1.16. **Figure 1.7** shows the national differences in accreditations by technology type since scheme launch. This highlights some marked regional differences. In particular, the lower proportion of ASHPs but higher levels of biomass, GSHP and solar thermal deployed in Wales, as well as the higher proportion of biomass but lower levels of GSHP and solar thermal deployed in Scotland.

**Figure 1.7: Accreditations by country and technology type since scheme launch (%)**



1.17. As one of the scheme’s primary aims is to replace domestic heating systems with lower carbon alternatives, when applicants apply for the DRHI they are required to provide details of the heating system being replaced. **Figure 1.8** shows that boilers account for just over half of replaced systems at 44,920 or 51.4% of the total. ‘First heating system’ indicates that the accreditation was for a ‘custom build’<sup>13</sup> and so there was no heating technology being replaced.

**Figure 1.8: Heating technology replaced**

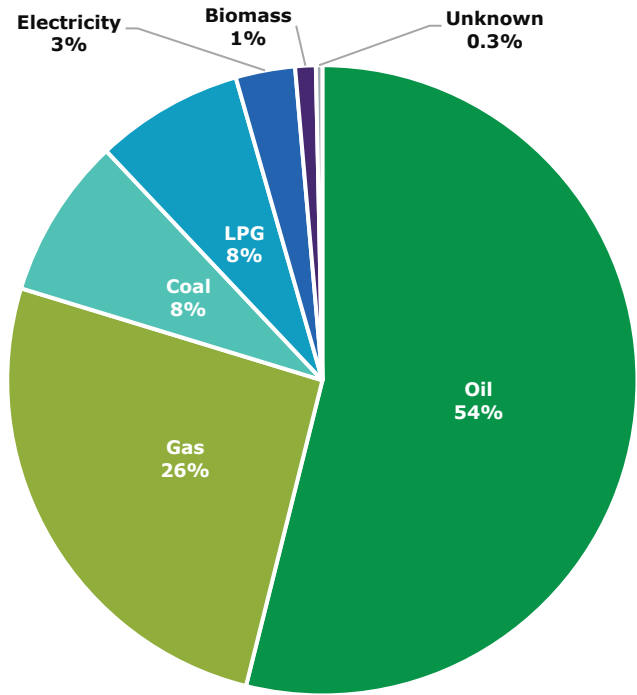


<sup>13</sup> [Link to information on custom builds](https://www.ofgem.gov.uk/environmental-and-social-schemes/domestic-renewable-heat-incentive-domestic-rhi/contacts-guidance-and-resources/key-terms-explained-domestic-renewable-heat-incentive): <https://www.ofgem.gov.uk/environmental-and-social-schemes/domestic-renewable-heat-incentive-domestic-rhi/contacts-guidance-and-resources/key-terms-explained-domestic-renewable-heat-incentive>



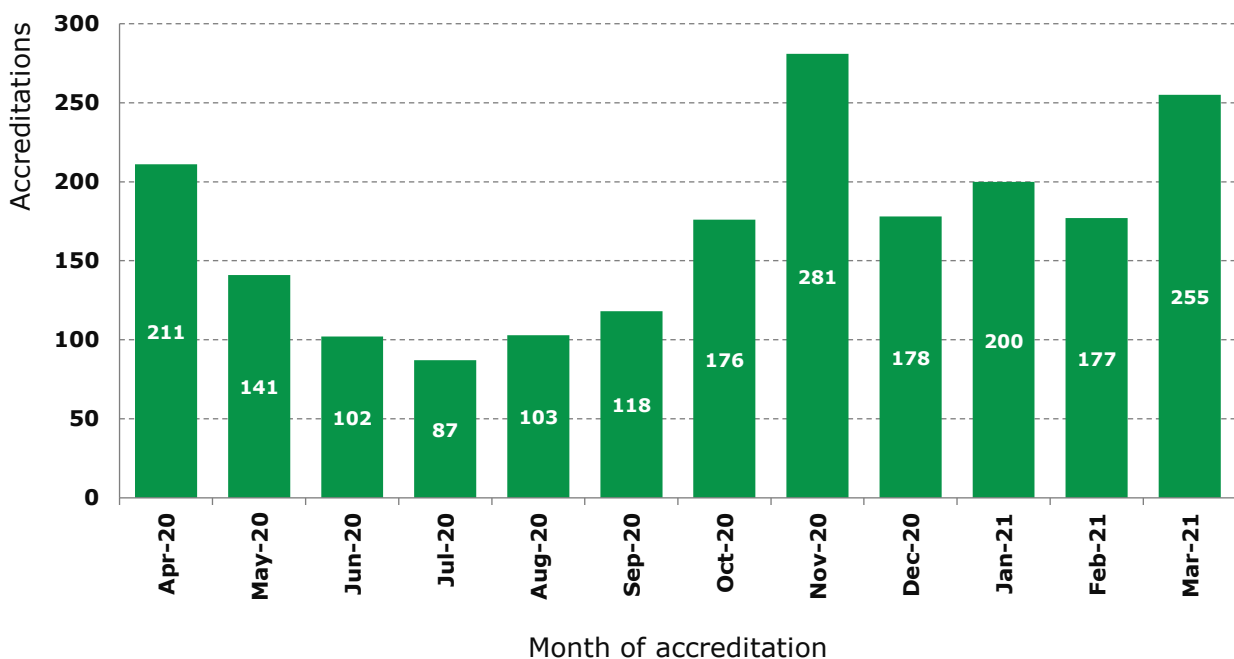
1.18. Further detail on the fuels being used in the replaced boilers can be found in **Figure 1.9**. Almost 96% of these boilers used fossil fuels such as oil, gas, coal and liquified petroleum gas (LPG).

**Figure 1.9: Replaced boiler fuel types**



1.19. Registered Social Landlords (RSLs) are one of the groups eligible to apply for the DRHI and account for 22.4% of all scheme accreditations.

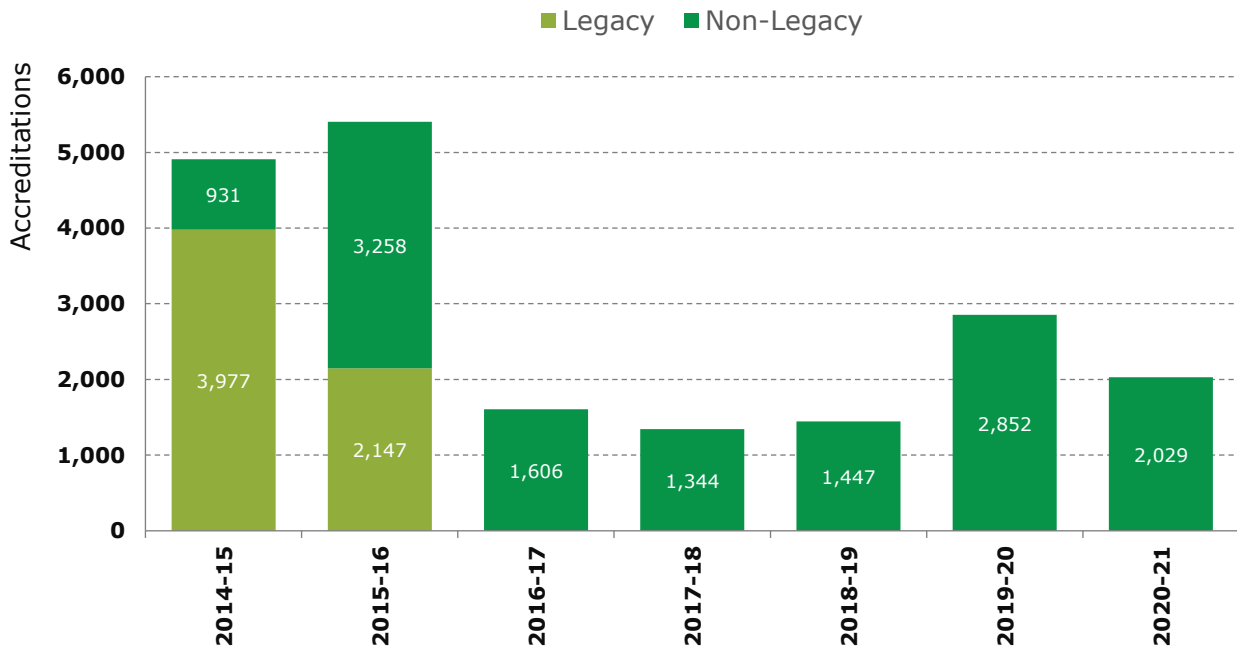
**Figure 1.10: Number of RSL accreditations per month 2020-21**



1.20. **Figure 1.10** shows 2,029 RSL accreditations were made in 2020-21, 98.4% (1,996) being ASHP. There were also 19 GSHP and 14 solar thermal accreditations.

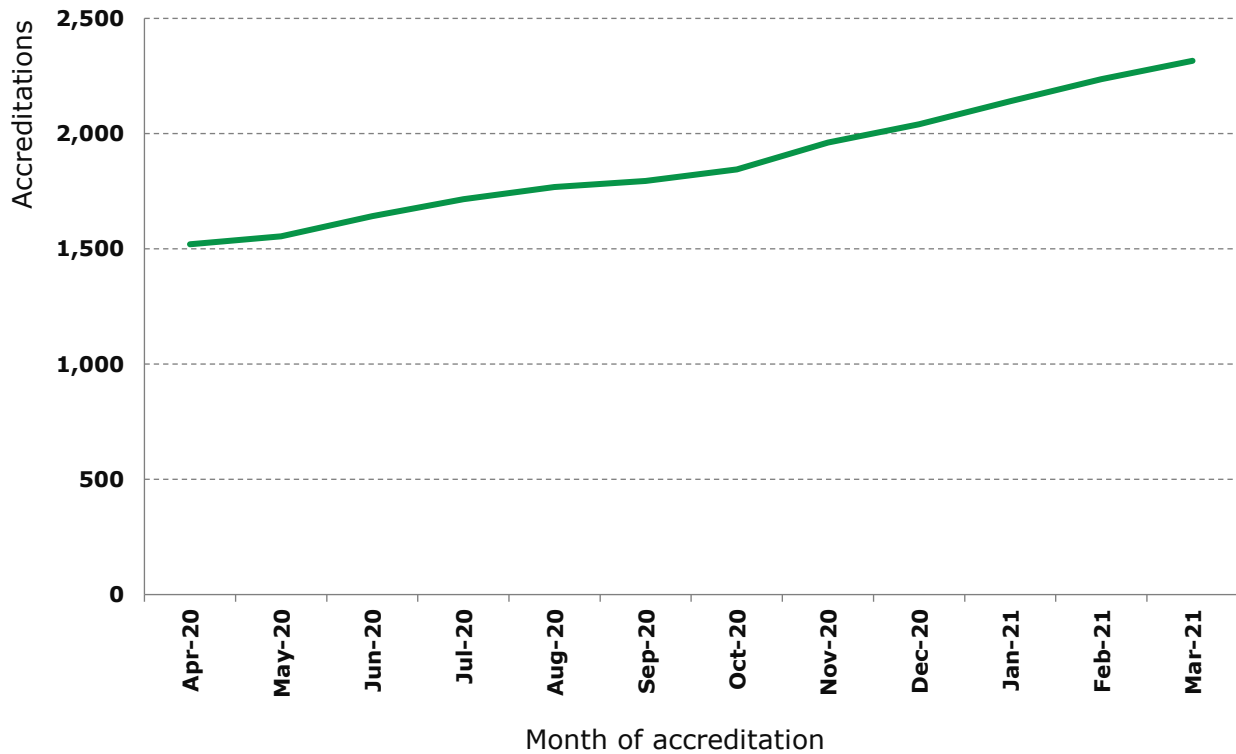
1.21. 2020-21's RSL accreditation profile broadly mirrors that for the wider scheme (as shown in **Figure 1.2**). There were fewer applications and therefore accreditations from April to September 2020 before accreditations rose again over autumn.

**Figure 1.11: Legacy and non-legacy RSL accreditations since the start of the scheme**



1.22. 19,592 accreditations have been awarded to RSLs in total, 31.3% (6,125) of which relate to legacy installations. As shown in **Figure 1.11** the significance of legacy installations can be seen in the high volume of accreditations during the first two scheme years.

**Figure 1.12: Cumulative MMSP registrations 2020-21**

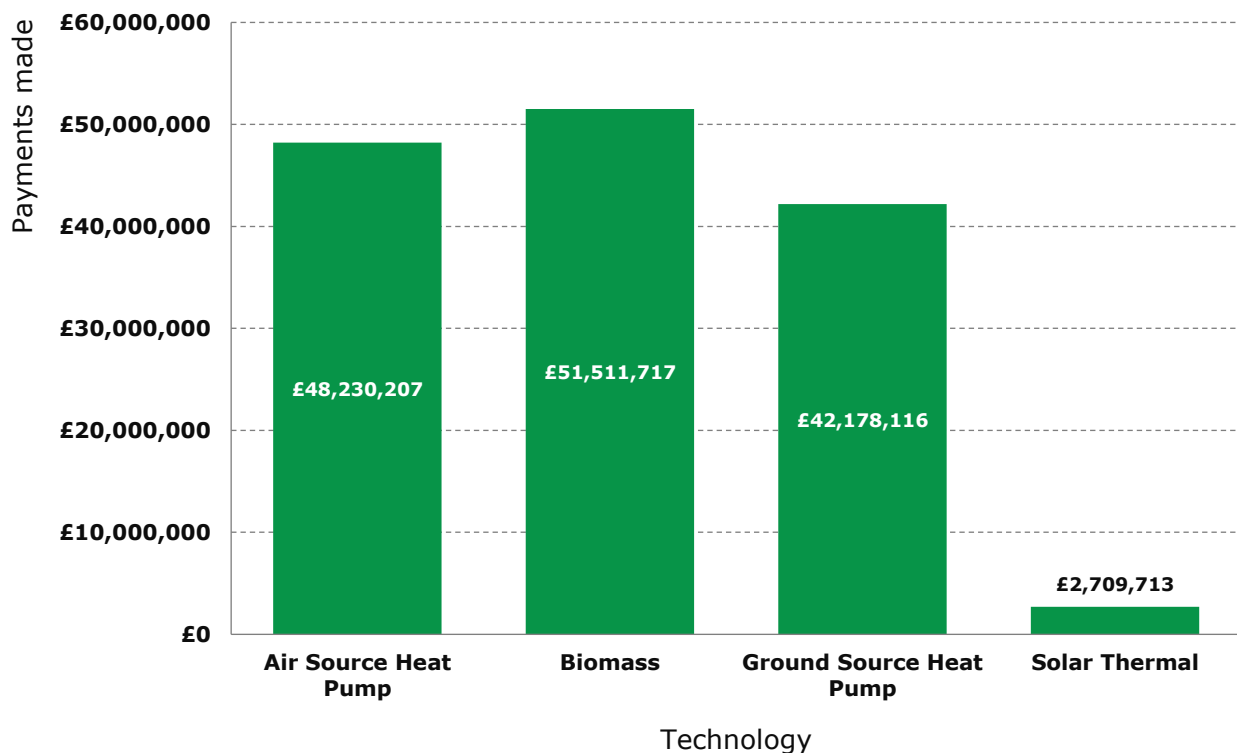


- 1.23. A Metering and Monitoring Service Package (MMSP) allows participants to check how their heating systems are performing. Participants who successfully register an MMSP receive financial support for its installation.
- 1.24. The package is designed to encourage consumer engagement with their heat pump and provide appropriate consumer protection against poor performance. It also allows the Government to gather detailed evidence on heat pump performance, supporting the future development of heat pumps.
- 1.25. 11,255 MMSP packages are available during the lifetime of the scheme on a first-come, first-served basis.
- 1.26. **Figure 1.12** shows that 2,316 MMSP packages (20.6%) have been allocated as of March 2021.

## 2. Payments

- 2.1. Domestic RHI (DRHI) payments are made quarterly for seven years, varying based on technology type and the heat demand of the property where it is installed. Payments are only made to accredited installations that continue to meet scheme rules.<sup>14</sup>
- 2.2. Tariff rates are set by the Department for Business, Energy and Industrial Strategy (BEIS) and are regularly reviewed. Any changes to tariffs must be announced at least one month in advance of the change.

**Figure 2.1: DRHI payments made in 2020-21**



- 2.3. In 2020-21 we made payments totalling £144.6m to eligible participants. **Figure 2.1** shows that biomass accounts for the largest proportion of payments, followed by air source heat pumps (ASHP) and ground source heat pumps (GSHP).
- 2.4. In line with the volume of new installations joining the scheme since 2019-20, ASHP accreditations showed the most significant payment increase rising by 26% (£10m) from £38,249,711 to £48,230,207. GSHP also rose by 7% (2.9m) from £39,318,602 to £42,178,116.

<sup>14</sup> [Link to information on DRHI payments and tariffs](https://www.ofgem.gov.uk/environmental-programmes/domestic-rhi/contacts-guidance-and-resources/tariffs-and-payments-domestic-rhi): <<https://www.ofgem.gov.uk/environmental-programmes/domestic-rhi/contacts-guidance-and-resources/tariffs-and-payments-domestic-rhi>>

**Table 2.1: Lifetime DRHI payments made**

Technology Type	Lifetime Payments (£)	Percentage (%)
Air source heat pump	£167,402,518.47	24.9%
Biomass	£300,127,370.83	44.6%
Ground source heat pump	£190,849,374.11	28.3%
Solar thermal	£14,841,469.42	2.2%
<b>TOTAL</b>	<b>£673,220,732.83</b>	<b>100%</b>

- 2.5. **Table 2.1** shows that biomass boilers accounted for near half (44.6%) of payments made over the scheme's lifetime. ASHP still only accounts for around a quarter of payments made (24.9%) despite accounting for over half of all accreditations (62%).
- 2.6. The heat generated on which the £673.2m in payments were made, stands at around 5,835 GWh. We also estimate that the carbon savings from installations currently accredited on the scheme will amount to around 5.3Mt CO<sub>2</sub>.

### 3. Audit & Assurance

- 3.1. In order to protect the public purse and ensure we are meeting requirements to only pay subsidies for eligible heat generation, our audit programme is designed to check compliance with the regulations and identify non-compliances. Our audit strategy has been developed in line with best practice from the National Audit Office (NAO). The strategy is reviewed annually and updated to account for emerging risks, changes to the scheme and new trends in non-compliance.
- 3.2. We undertake both statistical and targeted audits. Statistical audits are randomly selected to provide a representative view of the scheme population at a 90% confidence level. This provides us with assurance that the results of audits will reflect the level and types of non-compliance within the population. Targeted audits are identified through use of referrals from internal teams, whistleblowers and data analytics; where we aim to identify applications that may have an increased risk of non-compliance. This includes cross-referencing information with the other schemes we administer.
- 3.3. **Table 3.1** below gives an overview of the 2020-21 audit programme and shows the overall participant compliance rating for those audited. As a number of investigations are ongoing at time of writing, this data is correct as of May 2021.<sup>15</sup>
- 3.4. We conducted a total of 867 desk audits and 719 site audits during 2020-21. This is a slight decrease from the volume of desk audits in 2019-20, down from 878. However, there was an increase from the 709 site audits conducted in 2019-20.
- 3.5. The COVID-19 pandemic posed difficulties completing site visits, as well as attaining the information and evidence we require. Though this led to delays when completing audit reviews, we were still able to close all desk audits by 31 March 2021. A small number of site audits remained open after 31 March 2021.

**Table 3.1: DRHI Audit Results 2020-21**

Audit Type		Closed Audits	Open Audits	Compliant Audits	Non-Compliant Audits	Compliance Rate (%)
Desk Audit	Statistical	717	0	538	179	<b>75.0</b>
	Targeted	150	0	94	56	<b>62.7</b>
Site Audit	Statistical	550	58	486	64	<b>88.4</b>
	Targeted	52	59	38	14	<b>73.1</b>

<sup>15</sup> The compliance rate is based on closed audits only. A small number of audits remain open as some site visits could not be conducted due to the COVID-19 pandemic.

- 3.6. We have seen an increase in the non-compliance rate relating to the desk audit statistical programme – rising from 17.5% in 2019-20 to 25% in 2020-21. This is mostly due to ‘installation is not in working order’ issues, which is expected as plants become older. Our targeted audit programme includes campaigns that investigate specific areas of known risk. The increase in the compliance rate for those audits indicates that controls and checks we have introduced to address known risks are having a positive impact.
- 3.7. The most common reasons for non-compliance with the scheme regulations are as follows:
- Installation is not in working order
  - Incorrect details on MCS certificate
  - Evidence not provided during audit
  - No metering where it is required
  - Incorrect details on EPC
- 3.8. As part of our ongoing work to tackle non-compliance, we have sought to identify the root causes. From this, we have started to implement improvements and further controls to our systems and processes, highlight issues to third parties (such as Microgeneration Certification Scheme (MCS) or Energy Performance Certificate (EPC) accreditation bodies) and suggest possible amendments to regulations.
- 3.9. Some non-compliance cases will be resolved by participants providing relevant information after an audit. Others will result in recoupment of overpayments or, in the worst cases of non-compliance, revocation of accreditation.
- 3.10. We track instances where non-compliance results in changes to payments that installations are eligible to receive. These instances are defined as either a prevented or detected error. A prevented error refers to any payment which we have prevented from being paid out because of our work. A detected error is any payment which has been paid out to a participant for which they were not eligible.
- 3.11. **Table 3.2** below shows the monies we have protected (prevented and detected error) based on the audits carried out for 2020-21. To date we have recovered 36% of the detected value and steps are being taken to recoup the outstanding debt from participants.

3.12. Statistical audits comprise both an initial desk audit and a site audit. However, in some cases the site audit is not required if we identify eligibility issues during the desk audit that result in revocation of an accreditation. This is represented in the table below where the desk audit error figures are higher.

**Table 3.2: Money protected from DRHI audits 2020-21**

Audit Type		Prevented Error	Detected Error	Total Error	Recovered Detected Error to Date
Desk Audit	Statistical	£307,067	£125,256	£432,323	£85,165
	Targeted	£98,083	£76,217	£174,300	£2,832
Site Audit	Statistical	£50,367	£52,398	£102,765	£5,573
	Targeted	£1,610	£1,745	£3,355	£0
<b>Total</b>		<b>£457,127</b>	<b>£255,616</b>	<b>£712,743</b>	<b>£93,570</b>

3.13. In total this year’s audit programme has resulted in the identification of over £712,000 in prevented and detected error. This is in addition to the protection of public funds provided through our other control measures, such as robust eligibility assessments prior to accreditation and annual participant declarations.



## 4. Our Administration

- 4.1. Ofgem performs several functions as administrator of the scheme, including review of applications and amendments, calculating and making payments, responding to enquiries and ensuring ongoing participant compliance with scheme regulations.
- 4.2. To ensure that we are providing a good service, we track our performance each month and publish details on the Ofgem website.<sup>16</sup> **Table 4.1** provides a summary of this year's performance in comparison to last year.

**Table 4.1: DRHI delivery performance**

	2019-20	2020-21	Change
No. of applications processed	14,904	14,841	-63
Applications processed within 6 months	96%	99%	+3%
No. of telephone enquiries	32,738	17,738	-15,000
No. of email enquiries	3,434	10,029	+6,595
Emails responded to in 10 WD	77%	99%	+22%
Payments made	285,799	317,896	+32,097
Payments made within 30WD	97%	98%	+1%

- 4.3. In 2020-21 telephone enquiries dropped by around half whilst email enquiries almost tripled. Disruption caused by the COVID-19 pandemic during the year led to DRHI phone line availability being reduced to two hours per day, increasing to three hours in May, and then six hours in November. These changes led to an increase in email enquiries as a more accessible means of contact for participants.
- 4.4. The number of applications being processed within our target of six months increased by 3% to 99% in 2020-21. Email enquiry responses within ten working days also increased, rising from 77% to 99%.
- 4.5. The delivery performance shown in **Table 4.1**, reflects our success in responding successfully to the challenges faced during the pandemic, by making effective use of our available resources.

<sup>16</sup> [Link to information on DRHI performance](https://www.ofgem.gov.uk/environmental-programmes/environmental-programmes-ofgem-s-role-and-delivery-performance): <https://www.ofgem.gov.uk/environmental-programmes/environmental-programmes-ofgem-s-role-and-delivery-performance>

## 5. Looking Forward

- 5.1. The Government are proposing to close the Domestic Renewable Heat Incentive (DRHI) to new participants from 31 March 2022. The Department for Business, Energy and Industrial Strategy (BEIS) published 'The Domestic RHI: ensuring a stable scheme' consultation<sup>17</sup> which opened on 26 February 2021 and closed on 7 May 2021. BEIS also introduced regulations in January 2021 to mitigate the impact of COVID-19 on certain consumers following the publication of 'Changes to RHI support and COVID-19 response.' A full summary of these recent changes is available on our website.<sup>18</sup>
- 5.2. Ofgem will be preparing for the closure of the DRHI scheme which will include updating guidance and liaising with stakeholders to ensure consumers are protected. We encourage all prospective applicants to have the necessary evidence in place before submitting applications.
- 5.3. From our experience on other schemes we administer closing to new entrants, such as the Renewables Obligation, the Feed-in-Tariff and the Non-Domestic RHI, we expect a significant increase of applications on the DRHI over the final quarter of the scheme.
- 5.4. The DRHI provides payments over a 7-year period meaning that the scheme will continue to service participants up until 31 March 2029. We are reviewing the systems that support the scheme and will ensure they continue to enable effective administration, for as long as we are required to service participants.
- 5.5. We will continue to implement counter-fraud measures and undertake audits, so that we only pay subsidies on eligible heat generation, thereby ensuring fair and effective use of public funds.
- 5.6. Looking beyond the closure of the DRHI, BEIS published a consultation<sup>19</sup> in April 2020 on 'Future support for low carbon heat', which included the proposal for a 'Clean Heat Grant'. This scheme will provide up front capital grants to support the installation of heat pumps, and in certain circumstances biomass boilers, in homes and some small non-domestic buildings. BEIS' consultation set out their intention to launch the scheme in April 2022 and named Ofgem as their preferred administrator.<sup>20</sup>

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<sup>17</sup> [Link to DRHI 'ensuring a stable scheme' consultation:](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/965026/domestic-renewable-heat-incentive-ensuring-stable-scheme.pdf)

<[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/965026/domestic-renewable-heat-incentive-ensuring-stable-scheme.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/965026/domestic-renewable-heat-incentive-ensuring-stable-scheme.pdf)>

<sup>18</sup> [Link to 'Changes to the scheme' Domestic RHI:](https://www.ofgem.gov.uk/environmental-programmes/domestic-rhi/about-domestic-rhi/changes-scheme)

<<https://www.ofgem.gov.uk/environmental-programmes/domestic-rhi/about-domestic-rhi/changes-scheme>>

<sup>19</sup> [Link to Changes to the Renewable Heat Incentive \(RHI\) schemes:](https://www.gov.uk/government/publications/changes-to-the-renewable-heat-incentive-rhi-schemes)

<<https://www.gov.uk/government/publications/changes-to-the-renewable-heat-incentive-rhi-schemes>>

<sup>20</sup> [Link to information on future support for low carbon heat:](https://www.gov.uk/government/consultations/future-support-for-low-carbon-heat) <<https://www.gov.uk/government/consultations/future-support-for-low-carbon-heat>>