

Non-Domestic RHI

Annual Report 2020-2021



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for energy consumers

Executive Summary

The Non-Domestic Renewable Heat Incentive (NDRHI) scheme is a government environmental programme that provides financial incentives to increase the uptake of renewable heat by businesses, the public sector and non-profit organisations. Switching to heating systems that use eligible energy sources can help the UK reduce its carbon emissions and meet its renewable energy targets. Eligible installations receive quarterly payments over 20 years based on the amount of heat generated, or in the case of biomethane, on the volume of green gas injected into the gas grid. This report summarises activity during the tenth year of the scheme, covering the period 01 April 2020 to 31 March 2021. This year is particularly significant as it marks the closure of the scheme to most new applications.

There was a significant jump in the number of applications received in the past year. From 2019-20 to 2020-21, applications increased by 115.2%. This is the first time Ofgem received more than 2,000 applications in one year since 2016-17. Nearly half of all applications received this year were submitted in March 2021 alone. This spike in applications was largely driven by the scheme's closure on 31 March 2021.

Ofgem accredited 941 additional installations to the scheme in 2020-21, bringing the total number of accredited scheme participants to 20,920. Most scheme participants have installed solid biomass boilers, which make up over 80% of all accredited capacity. However, since 2014 tariff depressions have led to changes in the share of technology types of new accreditations. In 2020-21, solid biomass boilers accounted for just over 52% of newly accredited capacity. Meanwhile, ground source heat pumps made up over 31% of newly accredited capacity over the same period, compared to around 3.5% in the first year of the scheme.

Since the scheme started, £3,306.89m has been paid to scheme participants. This is an increase of £792.1m from the total at the end of 2019-20. Participants who continue to meet scheme rules will keep receiving payments for a period of up to 20 years.

Despite the challenges, our top priority during the COVID-19 pandemic has been to ensure that participants are paid on time. The adjustments we have made have allowed us to do this as well as continuing to provide a high level of service in other areas of most value to stakeholders.

The impact of the NDRHI scheme since it started has been significant. The scheme has supported 20,920 renewable heating systems to become fully operational across Great Britain. Almost 45.5 TWh of heat generation has been subsidised by the scheme so far, with around 11.1 TWh, in 2020-21 alone. Additionally, more than 1.3bn m³ of green gas has been injected into the grid since the start of the scheme with 336m m³ of this occurring in 2020-21. The

figures shown for heat generation and gas injection during 2020-21 account for around 25% of all generation and injection since the start of the scheme in 2011.

Feedback

We value your feedback on this report. Please contact us at EServeFeedback@ofgem.gov.uk with any comments or suggestions.

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Associated Documents

- The Renewable Heat Incentive Scheme Regulations 2018 (as amended) can be viewed on the legislation.gov.uk website:
[Link to Renewable Heat Incentive Scheme Regulations:](https://www.legislation.gov.uk/primary+secondary?title=Renewable%20Heat%20Incentive)
<<https://www.legislation.gov.uk/primary+secondary?title=Renewable%20Heat%20Incentive>>
- Ofgem has published guidance documents on the NDRHI scheme, which can be viewed on the Ofgem website linked below:
[Link to Ofgem's NDRHI main guidance:](https://www.ofgem.gov.uk/publications-and-updates/non-domestic-rhi-main-guidance)
<<https://www.ofgem.gov.uk/publications-and-updates/non-domestic-rhi-main-guidance>>
- For more information on the NDRHI scheme, visit the Ofgem website using the following link: Guidance and Resources
[Link to Ofgem contacts, guidance and resources about the NDRHI scheme:](https://www.ofgem.gov.uk/environmental-programmes/non-domestic-rhi/contacts-guidance-and-resources)
<<https://www.ofgem.gov.uk/environmental-programmes/non-domestic-rhi/contacts-guidance-and-resources>>
- For more information on NDRHI Tariffs and Payments, including information on how payments are calculated, visit the Ofgem website here:
[Link to NDRHI tariffs and payments:](https://www.ofgem.gov.uk/environmental-programmes/non-domestic-rhi/contacts-guidance-and-resources/non-domestic-rhi-tariffs-and-payments)
<<https://www.ofgem.gov.uk/environmental-programmes/non-domestic-rhi/contacts-guidance-and-resources/non-domestic-rhi-tariffs-and-payments>>
- Public reports and data about the NDRHI scheme can be viewed on our website:
[Link to Ofgem's public reports and data on the NDRHI scheme:](https://www.ofgem.gov.uk/environmental-programmes/non-domestic-rhi/contacts-guidance-and-resources/public-reports-and-data)
<<https://www.ofgem.gov.uk/environmental-programmes/non-domestic-rhi/contacts-guidance-and-resources/public-reports-and-data>>
- 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 Non-Domestic Renewable Heat Incentive (NDRHI) scheme was introduced in England, Scotland and Wales in November 2011 by the Department for Energy and Climate Change (DECC)¹ 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 the United Kingdom meet its renewable energy targets.

The Gas and Electricity Markets Authority (the Authority) is the statutory body responsible for administering the NDRHI 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 scheme participants continue to meet their ongoing obligations,
- receiving and checking participants' periodic data submissions before making periodic support payments, and
- ensuring the scheme is guarded against fraud and error.

The Renewable Heat Incentive Scheme Regulations 2018 (as amended) (the Regulations)² 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. The Regulations set out what should be reported on in this annual report. However, we also include additional information that we believe is of interest to stakeholders and the general public.

Changes to the scheme

On 11 March 2020, in response to the COVID-19 pandemic, the Chancellor of the Exchequer announced as part of his Budget, that there would be an extension granted to current Tariff Guarantee (TG) projects that had experienced delays in commissioning. It was also announced that a third allocation of TGs would be available, and it was confirmed that the scheme would close to new applicants as expected on 31 March 2021.³

¹ From July 2016 the new Department for Business, Energy and Industrial Strategy (BEIS) assumed the roles and responsibilities of the Department of Energy and Climate Change (DECC)

² [Link to Renewable Heat Incentive Scheme Regulations 2018:](https://www.legislation.gov.uk/uksi/2018/611/contents/made)
<<https://www.legislation.gov.uk/uksi/2018/611/contents/made>>

³ [Link to details on announcement from the Chancellor of the Exchequer:](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>>

In November 2020, the government announced a further mechanism in response to COVID-19. This mechanism introduced a new extension for applications that were not eligible for TGs.⁴ This new extension allowed eligible installations the opportunity to apply for a 12-month extension by submitting a properly-made extension application.⁵ The extension application route was subsequently closed on 31 March 2021.

The NDRHI (Amendments and Closure) Regulations⁶ were laid on 25 January 2021 to close the NDRHI scheme to new installations from midnight at the end of 31 March 2021.⁷ This meant that all eligible plants seeking accreditation, that had not been granted an extension as part of the TG process or the non-tariff guarantee extension application process, must have submitted a properly-made application on or before 31 March 2021.

We continue to work closely with BEIS to ensure the scheme is being delivered effectively and in accordance with policy, and to implement changes made to the legislation.

⁴ [Link to details on changes made to the scheme in response to COVID-19:](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/933108/changes-to-rhi-support-covid19-response-further-govt-response.pdf)

<https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/933108/changes-to-rhi-support-covid19-response-further-govt-response.pdf>

⁵ Only plants which are not eligible for TGs, and are not expected to be commissioned before scheme closure and can demonstrate that significant capital, or significant human or material resource has been invested in to the development of a plant on or before 17 August 2020, are eligible to make an extension application. More information can be found in the extension application guidance on Ofgem's website. [Link to Non-Tariff Guarantee Extension Applications:](https://www.ofgem.gov.uk/publications-and-updates/non-tariff-guarantee-extension-applications) <<https://www.ofgem.gov.uk/publications-and-updates/non-tariff-guarantee-extension-applications>>

⁶ [Link to amended regulations:](https://www.legislation.gov.uk/ukSI/2021/76/made) <<https://www.legislation.gov.uk/ukSI/2021/76/made>>

⁷ [Link to information on NDRHI Closure:](https://www.ofgem.gov.uk/environmental-programmes/non-domestic-rhi/about-non-domestic-rhi/ndrhi-closure) <<https://www.ofgem.gov.uk/environmental-programmes/non-domestic-rhi/about-non-domestic-rhi/ndrhi-closure>>

Responding to COVID-19

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

On 11 March 2020, in response to the COVID-19 pandemic, the Chancellor of the Exchequer announced as part of his budget, that there would be an extension granted to current TG projects that had experienced delays in commissioning their plant. More details on this and other legislative changes are outlined in the legislative context section of this report.

To adapt to the COVID-19 pandemic and the government requirement for staff to work from home, we reduced 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 queries.

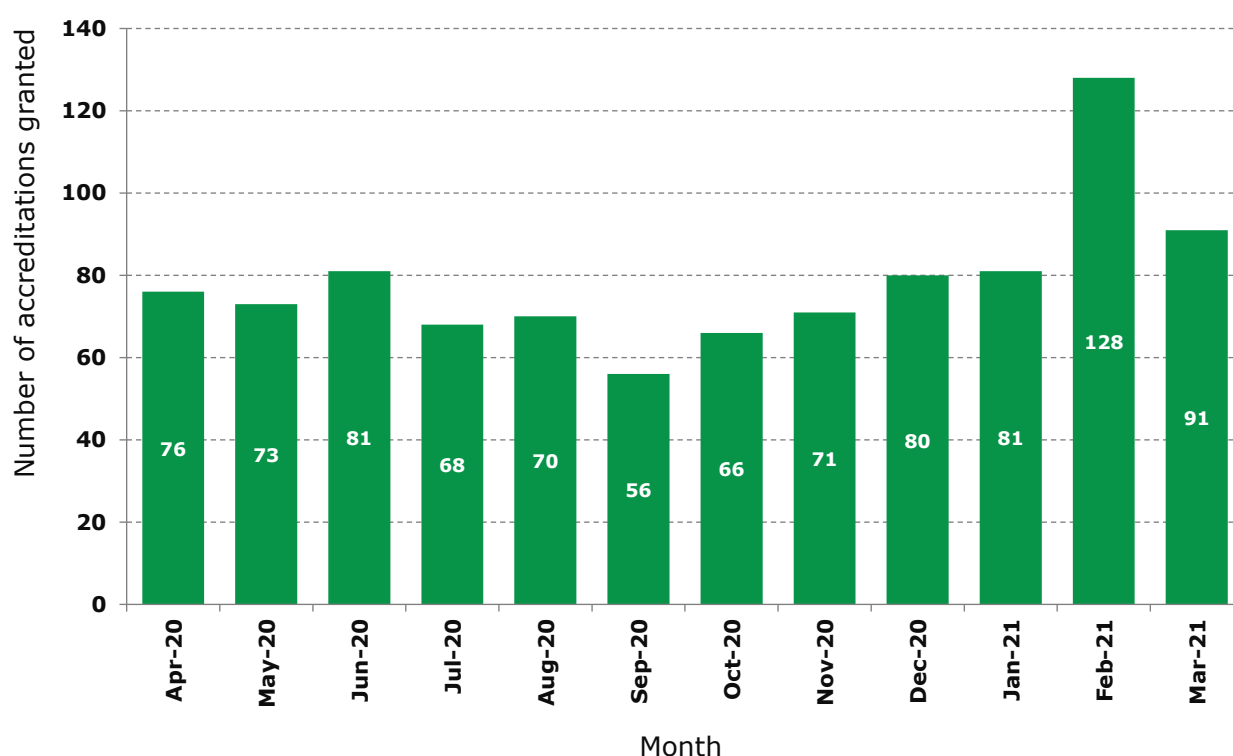
We also made changes to ensure the continuation of audits. We rescheduled audits as necessary to account for challenges such as shielding, quarantines, and businesses being closed. To minimise time on site and to help ensure social distancing, where possible we asked participants to send documents to auditors in advance by email. Our auditors also abided by social distancing rules and wore masks during site visits.

Despite the challenges, our top priority during the COVID-19 pandemic has been to ensure that participants are paid on time. The adjustments we have made have allowed us to do this as well as continuing to provide a high level of service in other areas of most value to stakeholders.

1. Accreditations

- 1.1. In 2020-21, 941⁸ new installations were accredited on to the scheme. This is a small increase on the 925 accreditations granted during 2019-20. The total number of accreditations granted each month during 2020-21 are detailed below in **Figure 1.1**.

Figure 1.1 Full applications accredited during 2020-21



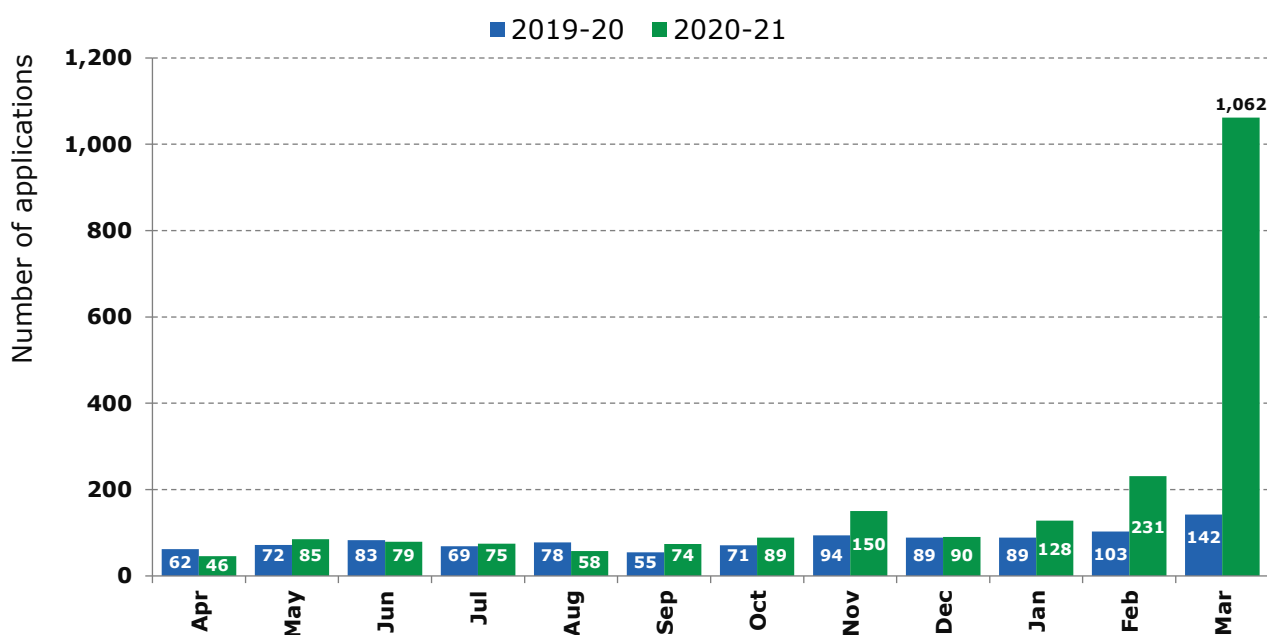
- 1.2. The increase in approvals as shown above during February, occurred due to the impact of additional resource brought in to deal with an increased workload related to scheme closure. In March, our focus shifted to triaging applications as they were received, to ensure that they were 'properly made'⁹. This maximised the opportunity to feed back issues to applicants before the window to submit a 'properly made' application closed.
- 1.3. As shown in **Figure 1.2** below, the number of applications received in 2020-21 increased significantly to 2,167. This is an increase of 115.2% compared to the 1,007 applications received in 2019-20.

⁸ The numbers in this section relate to full applications for accreditation/biomethane registration and do not include Tariff Guarantee (TG) applications or extension applications. For further information on TG applications or extension applications please refer to the relevant sections later in this chapter.

⁹ For information on what constitutes a 'properly made' application refer to our Guidance. [Link to Guidance volume 1: Eligibility and how to apply](https://www.ofgem.gov.uk/sites/default/files/docs/2020/04/non-domestic_rhi_guidance_volume_one.pdf): <https://www.ofgem.gov.uk/sites/default/files/docs/2020/04/non-domestic_rhi_guidance_volume_one.pdf>

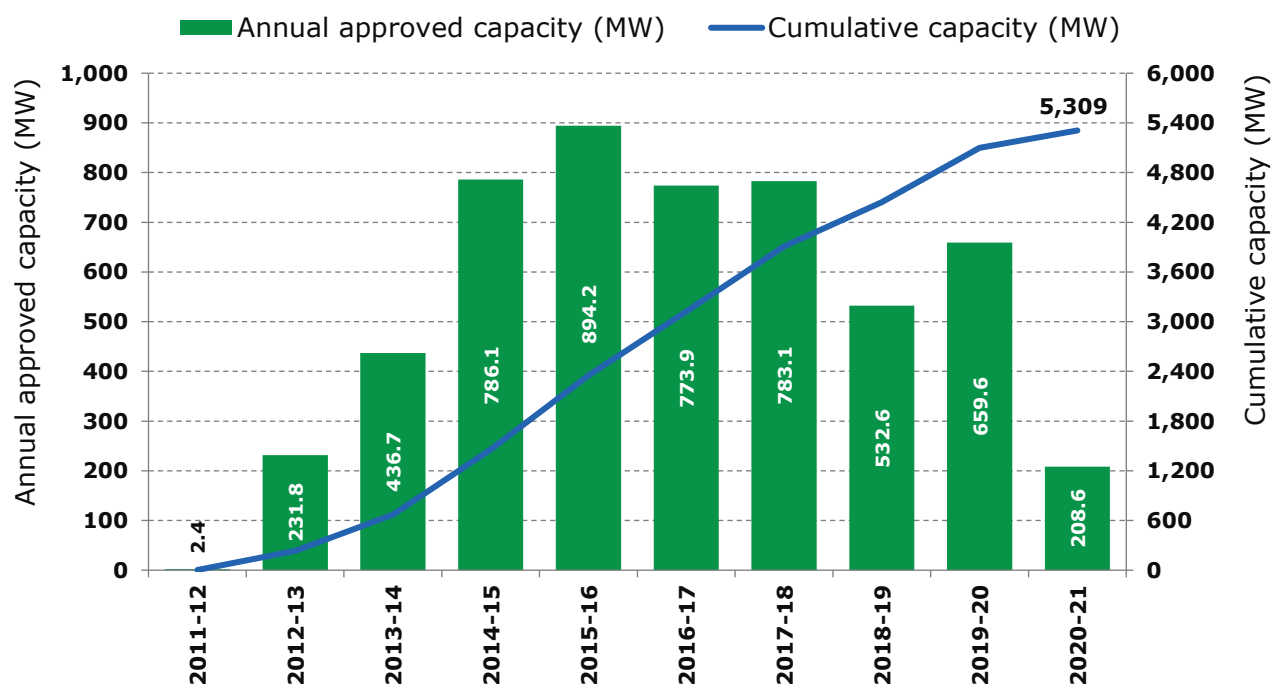
- 1.4. **Figure 1.2** also shows a significant spike of applications made towards the end of the 2020-21 year. This can be attributed to the scheme closure on 31 March 2021 as applicants took the last opportunity to benefit from joining the scheme. Applications submitted in March 2021 make up 49% of all applications received in 2020-21, and 33.46% of all applications since April 2019.

Figure 1.2 Number of applications received, by month



- 1.5. The total approved capacity¹⁰ on the scheme as of 31 March 2021 stands at 5,309 MW. This means in 2020-21, an additional 208.6 MW of capacity was approved. Despite the scheme closing to most new applicants on 31 March 2021, the total capacity on the scheme will continue to rise as submitted applications are reviewed and approved during 2021-22.
- 1.6. The change in cumulative approved capacity since the start of the scheme can be seen in further detail at **Figure 1.3** below. Although a similar number of accreditations were granted in 2020-21 compared to 2019-20, the average capacity of those installations fell significantly from 713 kW in 2019-20 to 222 kW in 2020-21.

¹⁰ The capacity figures shown represent all technology types on the scheme except for biomethane. Biomethane installations are awarded payments based on the amount of gas injected into the gas grid, instead of the amount of heat generated.

Figure 1.3 NDRHI annual and cumulative approved capacity

1.7. As indicated below in **Figure 1.4** and **Table 1.1**, biomass boilers are the most installed technology under the NDRHI scheme. However, as shown in **Figure 1.5**, the share of capacity being accredited for biomass boilers has been decreasing from the high levels seen at the start of the scheme.

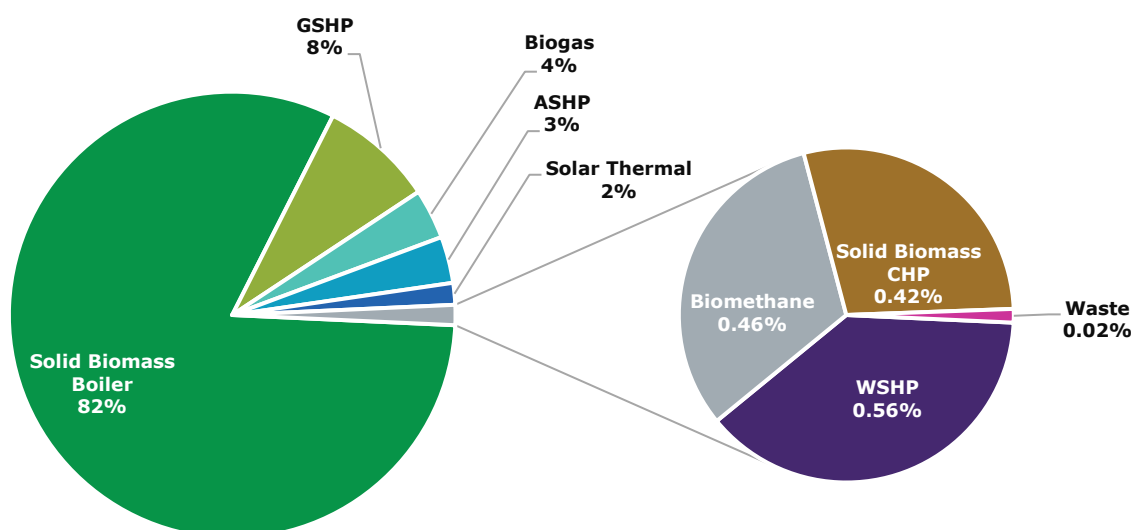
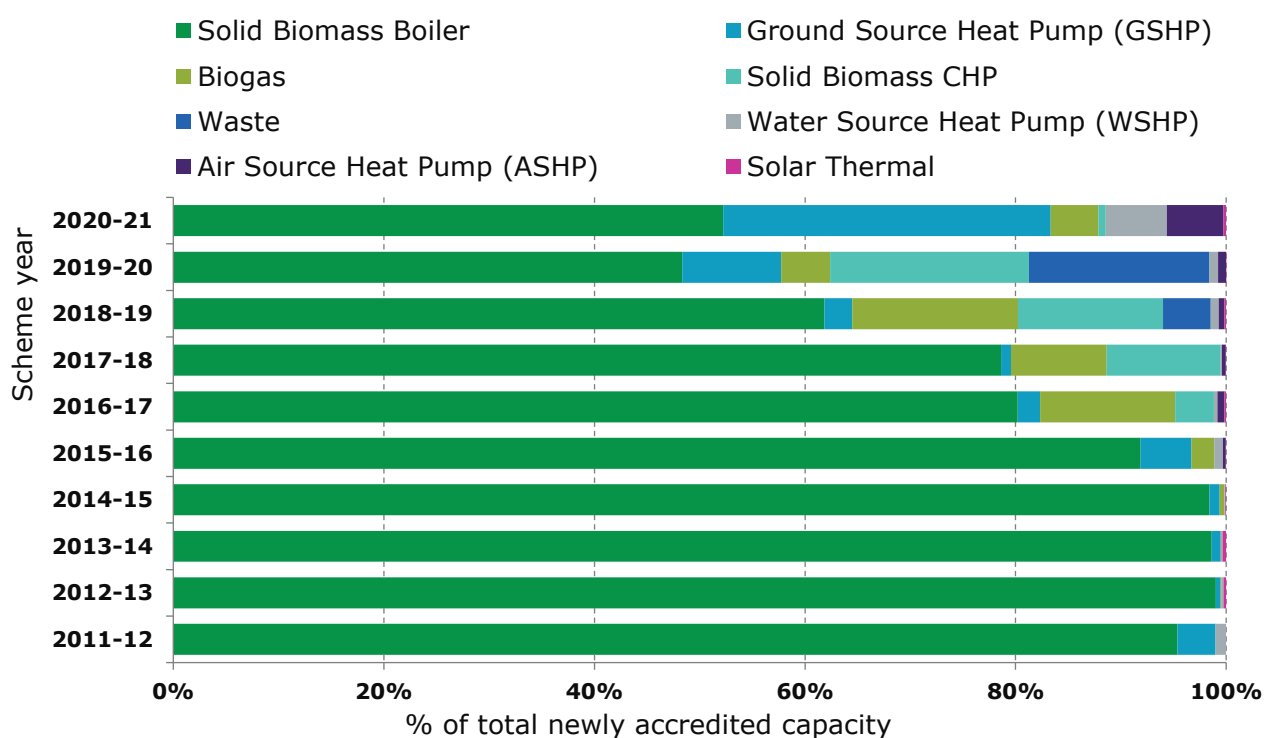
Figure 1.4 Proportion of accredited installations by technology type since the start of the scheme

Table 1.1 Accredited installations by technology type

Technology Type	2020-21	Total
Solid biomass boiler	322	17,098
Ground source heat pump (GSHP)	435	1,724
Biogas	12	759
Air source heat pump (ASHP)	130	704
Solar thermal	14	330
Water source heat pump (WSHP)	21	117
Biomethane	5	97
Solid biomass CHP	2	87
Waste	0	4
Grand total	941	20,920

Figure 1.5 Accredited capacity by technology and scheme year

1.8. Solid biomass boilers made up more than 95% of newly accredited capacity for the first four years of the scheme. However, the proportion of solid biomass boiler capacity being accredited each year dropped as low as 48.3% in 2019-20 before increasing again to 52.2% in 2020-21.

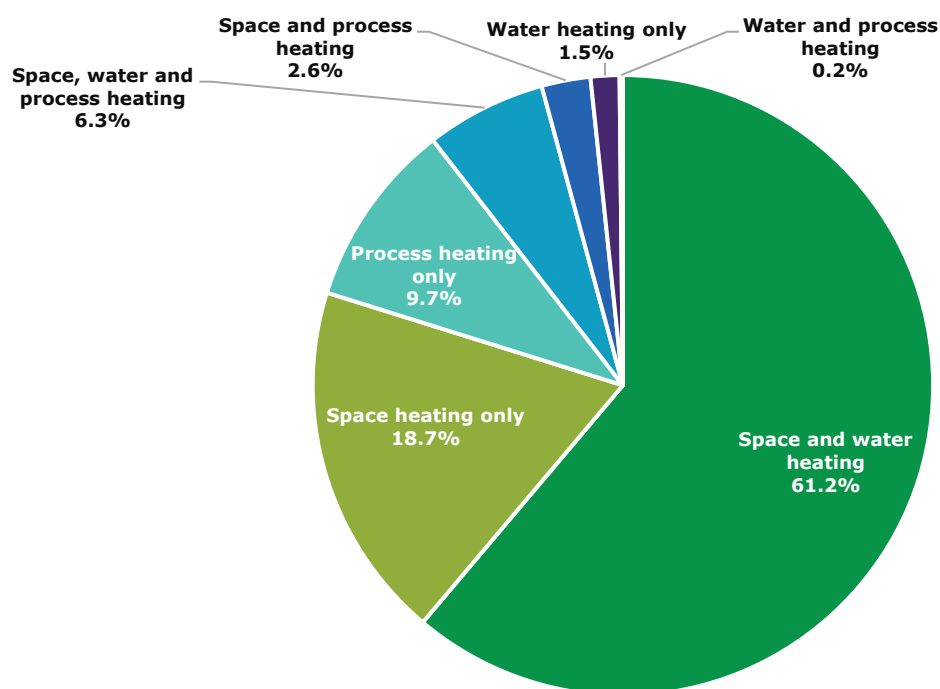
1.9. **Figure 1.5** also shows an increase in the shares of other technology types. In particular, ground source heat pumps, which made up 2.04% of newly accredited capacity from

2011-12 to 2017-18, and in 2020-21 made up just over 31% of newly accredited capacity.

1.10. This reduction in the proportion of newly accredited biomass capacity was driven by the degression mechanism as the scheme has progressed.¹¹ Increasing levels of other technology types followed changes implemented in May 2014.¹² These changes saw increased support for renewable CHP, large biomass boilers (over 1MW), deep geothermal, ground source heat pumps, solar-thermal and biogas combustion. These changes also introduced new support for air source heat pumps and commercial and industrial energy from waste.

1.11. To gain accreditation onto the NDRHI scheme, heat generated by installations must be used for an eligible purpose. This can be space heating in a building, heating water for direct use, or heat for use in a process (excluding for the generation of electricity). In **Figure 1.6** you can see the breakdown of heat uses for all heat generating installations.

Figure 1.6 Eligible heat uses for accredited installations

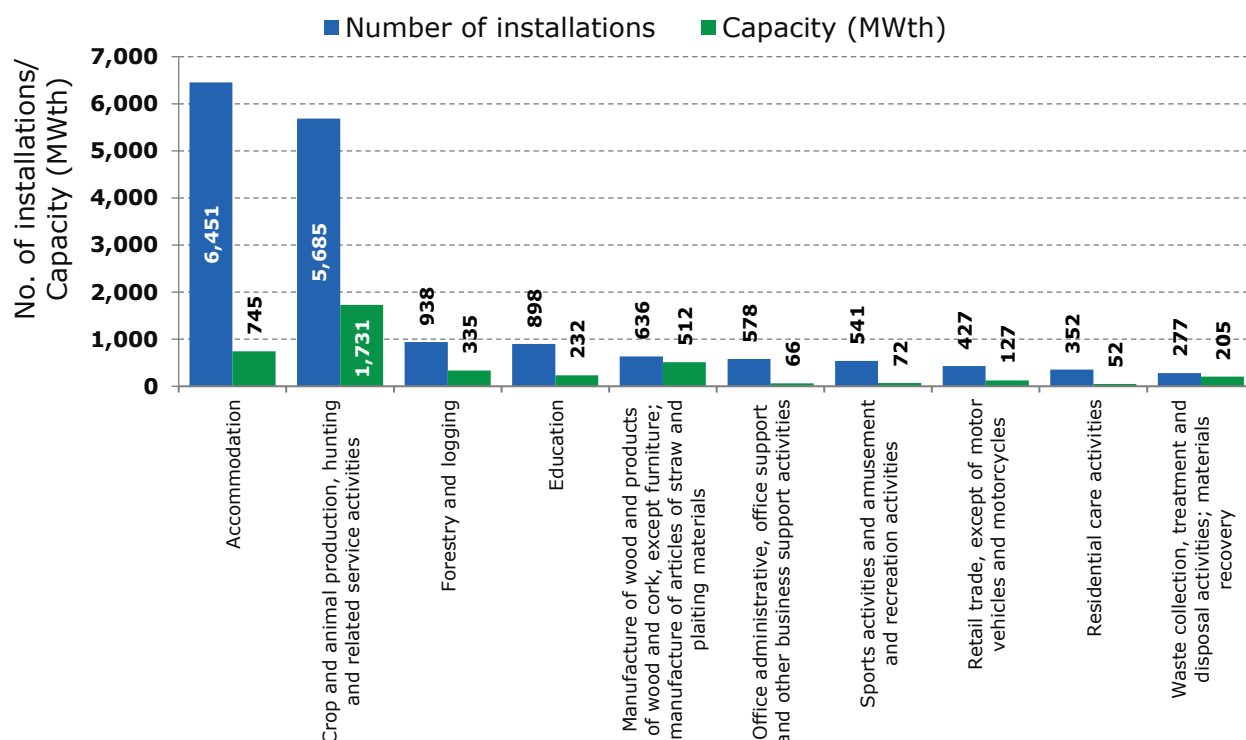


¹¹ The degression mechanism is an automatic tariff reduction to help control budgeting of the scheme. This is determined by the projected growth rates of eligible technologies. More information on degression is available on the UK government's website: [Link to NDRHI Degression Factsheet](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/936528/ndrhi-factsheet-degression-mechanism.pdf) <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/936528/ndrhi-factsheet-degression-mechanism.pdf>

¹² The summary of changes implemented in May 2014 can be viewed on the government's website at the following link: [Link to Summary of changes to the NDRHI](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/265853/Summary_of_changes_to_the_non-domestic_RHI_-_December_2013.pdf): <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/265853/Summary_of_changes_to_the_non-domestic_RHI_-_December_2013.pdf>

1.12. We also collect information on the industry sectors within which the heat is used. To do this we use the UK Standard Industrial Classification (UK SIC)¹³ to categorise the area of economic activity. The top ten sectors by number of accredited installations are shown in **Figure 1.7**. The complete dataset of installations by UK SIC can be found in the spreadsheet published alongside this report.

Figure 1.7 UK SIC for accredited installations



Geographic distribution of accredited installations

1.13. **Figures 1.8** and **1.9** below show the split in both the number of accreditations and the installed capacity across Great Britain.

1.14. The majority of NDRHI accreditations, as well as the majority of installed capacity, are located in England.

¹³ [Link to UK SIC 2007](https://www.ons.gov.uk/methodology/classificationsandstandards/ukstandardindustrialclassificationofeconomicactivities/uksic2007):

<<https://www.ons.gov.uk/methodology/classificationsandstandards/ukstandardindustrialclassificationofeconomicactivities/uksic2007>>

Figure 1.8 Accredited installations and registered biomethane producers by country

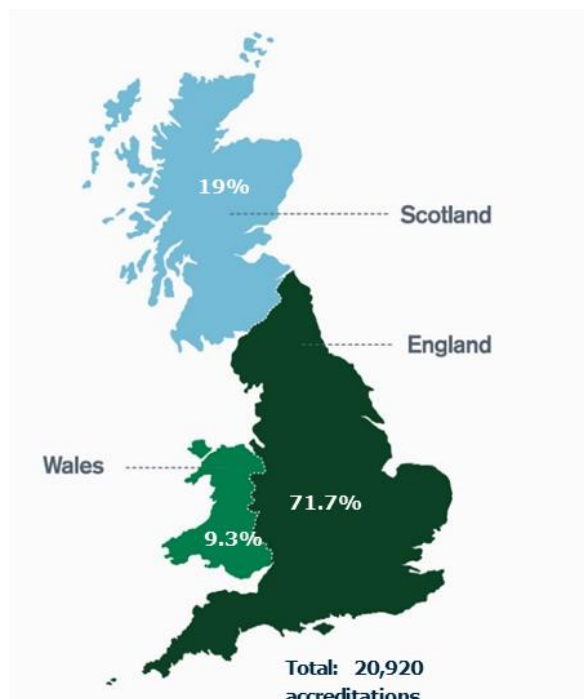
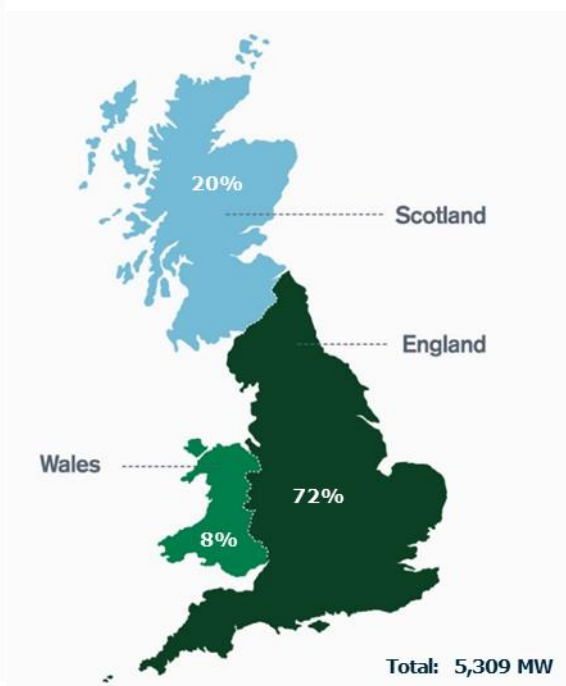


Figure 1.9 Total approved capacity by country



Tariff guarantees

- 1.15. A Tariff Guarantee (TG)¹⁴ allows applicants to the scheme to secure a tariff rate (a “guaranteed tariff” that will apply if the plant becomes accredited or registered) before their installation is commissioned and fully accredited. This provides a level of investment certainty for larger installations.
- 1.16. Since TG applications were introduced to the scheme in May 2018, we have received 711 of these applications in total.
- 1.17. Of these applications, 402 were received in 2020-21. This is an increase of 90.52% from 2019-20 when 211 applications were submitted. This was the most TG applications received in one year since their introduction.

¹⁴ [Link to information on Tariff Guarantees:](https://www.ofgem.gov.uk/sites/default/files/docs/2020/07/guide_to_tariff_guarantees_july_2020.pdf)
<https://www.ofgem.gov.uk/sites/default/files/docs/2020/07/guide_to_tariff_guarantees_july_2020.pdf>

1.18. At the end of 2020-21, we had granted a total of 329 TG applications with a committed spend of £118.12m.

1.19. The NDRHI scheme closed to new TG applications on 31 March 2021. Certain applicants who have been granted a TG have until midnight at the end of 31 March 2022 to commission their plant, commence injection (biomethane applications only) and submit a correct application for accreditation or registration.

1.20. The budget allocation in relation to 'other' technologies and biomethane was reached in the financial year 2020-21. Since then, Ofgem has been operating a queue in relation to these allocations. Applications may be released from the queue if funds become available.¹⁵

Extension applications

1.21. In November 2020, the government announced a further mechanism in response to the COVID-19 pandemic. This mechanism introduced a new extension for applications that were not eligible for TGs.¹⁶ This new extension allowed eligible installations the opportunity to apply for a 12-month extension by submitting a properly-made extension application.¹⁷ The extension application route was subsequently closed on 31 March 2021.

1.22. In total 750 extension applications were submitted in 2020-21.

¹⁵ [Link to information on TG budget allocation](https://www.ofgem.gov.uk/publications/rhi-tariff-guarantee-applications): <<https://www.ofgem.gov.uk/publications/rhi-tariff-guarantee-applications>>

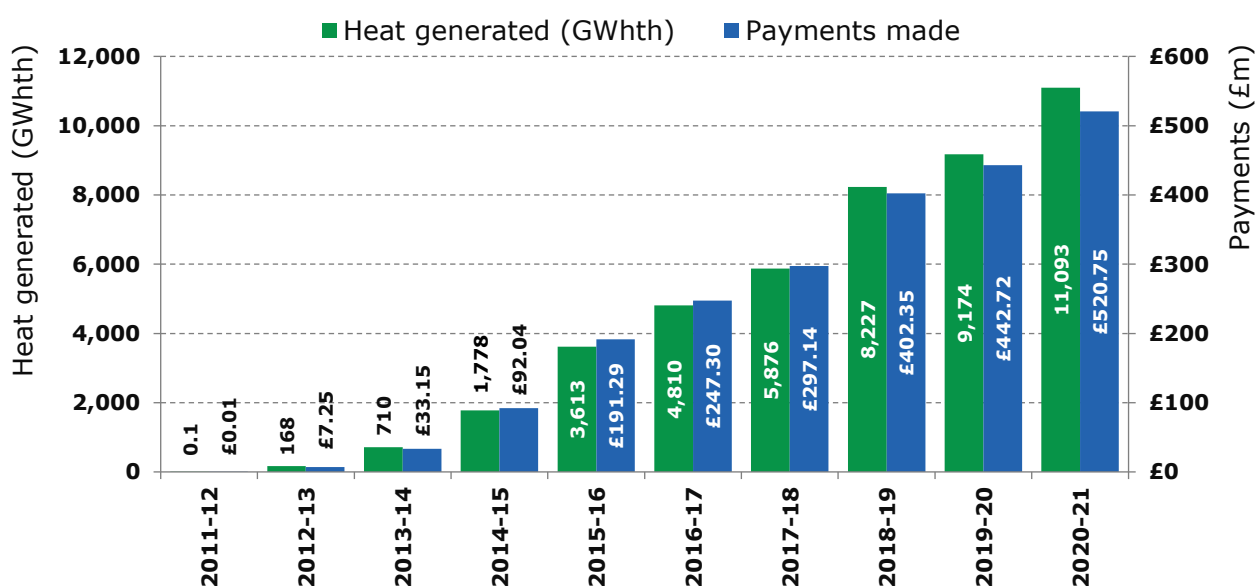
¹⁶ [Link to details on changes made to the scheme in response to COVID-19](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/933108/changes-to-rhi-support-covid19-response-further-govt-response.pdf): <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/933108/changes-to-rhi-support-covid19-response-further-govt-response.pdf>

¹⁷ Only plants which are not eligible for TGs, and are not expected to be commissioned before scheme closure and can demonstrate that significant capital, or significant human or material resource has been invested in the development of a plant on or before 17 August 2020, are eligible to make an extension application. More information can be found in the extension application guidance on Ofgem's website. [Link to Non-Tariff Guarantee Extension Applications](https://www.ofgem.gov.uk/publications-and-updates/non-tariff-guarantee-extension-applications): <<https://www.ofgem.gov.uk/publications-and-updates/non-tariff-guarantee-extension-applications>>

2. Payments & Heat Generation

- 2.1. RHI payments are made quarterly for up to 20 years and are based on the eligible heat generated by the plant. Payments made to biomethane producers follow a separate calculation formula because heat is not generated in the process; instead payments are based on the amount of biomethane injected directly into the gas grid. For this reason, from section 2.4 onwards details of biomethane payments are discussed separately.
- 2.2. The 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.¹⁸ Payments are only made to accredited installations that continue to meet the scheme rules.
- 2.3. Since the NDRHI scheme began in 2011, a total of £3,306.89m has been paid out to participants. £792.1m in payments were made in 2020-21 which is an increase of £108.4m from the total in 2019-20.
- 2.4. **Figure 2.1** below shows that over 11,000 GWhth of heat was generated during 2020-21 resulting in over £520m in payments being made. This brings the heat generated over the lifetime of the scheme to almost 45,500 GWhth and a corresponding £2,233.99m in payments have been made.

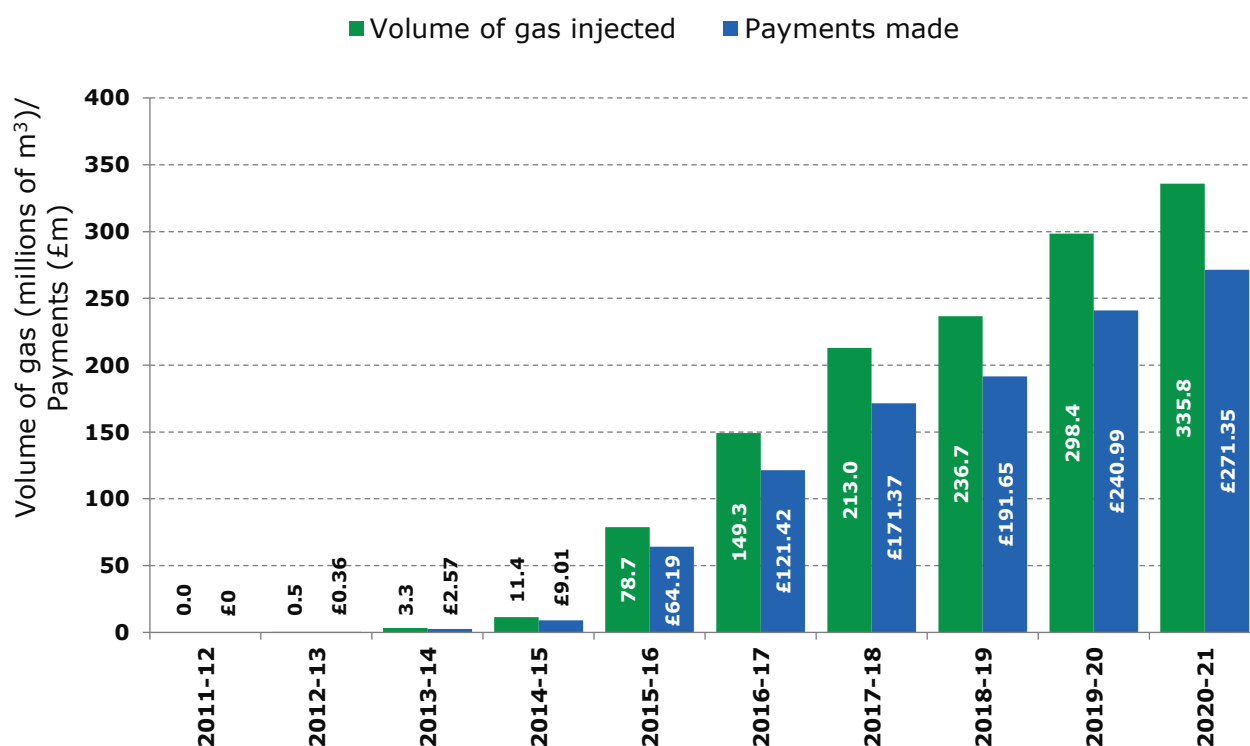
Figure 2.1 NDRHI heat generated and payments made



¹⁸ [Link to information on NDRHI payments and tariffs](https://www.ofgem.gov.uk/environmental-programmes/non-domestic-rhi/contacts-guidance-and-resources/non-domestic-rhi-tariffs-and-payments): <<https://www.ofgem.gov.uk/environmental-programmes/non-domestic-rhi/contacts-guidance-and-resources/non-domestic-rhi-tariffs-and-payments>>

- 2.5. Heat generation and the associated payments continue to rise, with a 20.9% increase in heat generated between 2019-20 and 2020-21 and 17.6% increase in payments.
- 2.6. Information on the volume of gas injected into the grid and payments made to biomethane producers can be seen in **Figure 2.2** below. During 2020-21 almost 336m m³ of gas was injected into the grid and more than £271m in payments were made. The volume of gas and payment figures are an increase of around 12.5% from 2019-20. The total gas injected over the lifetime of the scheme amounts to more than 1.3bn m³, resulting in more than £1bn in payments being made.

Figure 2.2 NDRHI biomethane - volume of gas injected and payments made



- 2.7. In **Table 2.1** below you can see the lifetime payments and heat generated or gas injected by technology type. This shows that almost 88% of payments went to two technology types. Solid biomass boiler installations accounted for 55.46%, and a further 32.44% went to biomethane installations. These two technology types account for just over 82% of accredited installations.

Table 2.1 NDRHI lifetime payments made, heat generated and gas injected - by technology type

Technology Type	Payments (£m)	Payments (% of total)	Heat Generation (GWhth)	Volume of gas injected (m ³)
Air Source Heat Pump (ASHP)	£2.35	0.07%	87.4	-
Biogas	£216.57	6.55%	4,058.1	-
Biomethane	£1,072.90	32.44%	-	1,326,995,859
Ground Source Heat Pump (GSHP)	£63.15	1.91%	797.9	-
Solar Thermal	£1.03	0.03%	9.9	-
Solid Biomass Boiler	£1,833.89	55.46%	37,446.6	-
Solid Biomass CHP	£96.94	2.93%	2,298.9	-
Waste	£10.14	0.31%	620.5	-
Water Source Heat Pump (WSHP)	£9.91	0.30%	129.7	-
Total	£3,306.89	100%	45,449.0	1,326,995,859

3. Audit & Assurance

- 3.1. The aim of our audit programme is to check compliance with the scheme regulations. This is to ensure payments are only made against eligible heat generation thereby protecting the public purse. Our audit strategy has been developed in line with best practice from the National Audit Office (NAO) and this is reviewed annually.
- 3.2. Ofgem opens a compliance investigation when we suspect a scheme participant is non-compliant, for instance after completion of an audit. Non-compliance can be either material or non-material. Material non-compliance can have a financial impact and may lead to funds being paid out in error, while non-material non-compliance has no financial impact.
- 3.3. Where we found instances of non-material non-compliance, we advised participants what actions they needed to take to rectify the situation. Where we confirmed instances of material non-compliance, we took enforcement action, such as recovering overpaid payments and permanently withholding payments.

Audit Activity

- 3.4. We undertake both statistical and targeted audit programmes. Our statistical audits for 2020-21 were chosen via a simple random sampling of the scheme population. The statistical audit programme is designed to be delivered with a 95% confidence level, which provides us with assurance that the results of audits will reflect the level and types of non-compliance within the scheme population.
- 3.5. Targeted audits are used where we identify sites that may have an increased risk associated to non-compliance with the scheme. We identified installations for audit through a number of routes; this includes the use of referrals from internal teams, cross-referencing information with the other government schemes we administer, information received from external whistle-blowers, and using data analytics where we aim to identify sites that may have an increased risk of non-compliance with the scheme rules.
- 3.6. We conducted 489 audits throughout the year as part of our commitment to ensure compliance on the scheme. **Table 3.1** below provides a summary of audit activity undertaken during 2020-21. As a number of investigations are ongoing at time of writing, this data is correct as of May 2021.

Table 3.1: Number of NDRHI Audits 2020-21

Audit Type	Site Visits Conducted	Closed Audits	Open Audits
Statistical	249	249	0
Targeted	240	75	165

3.7. As applicants seek to benefit from the scheme prior to closure there is an increased risk of non-compliance. As such we will be carrying out a programme of targeted audits on installations that applied to the scheme shortly before the scheme closed. This will include any full applications and extension applications and will provide us with additional assurance that those applications are eligible for support.

Compliance

3.8. Non-compliance levels improved compared to the previous year, with the estimated level of error based on the statistical audit programme being 0.60% of payments. Last year the error rate was over 1% of payments.

3.9. The most common reasons for material non-compliance with the scheme regulations are outlined in **Table 3.2** below.

Table 3.2: Top reasons for non-compliance 2020-21

Reason for non-compliance	Instances of non-compliance 2020-21	% of all material non-compliances	% of all non-compliances (both material and non-material)
Sustainability - no evidence of sustainable fuel	42	26.4%	8.9%
External pipework not declared	22	13.8%	4.7%
Meter component installed incorrectly	16	10.1%	3.4%
Meter reading/Periodic data submission errors	16	10.1%	3.4%
Heat losses are not properly accounted for	16	10.1%	3.4%

3.10. We closed 454 compliance investigations during the year. Ofgem's enforcement actions from these investigations resulted in over £2m of public funds being either protected or expected to be recovered. Further details can be found in **Table 3.3** below.

Table 3.3: Compliance cases 2020-21

Referral Source	Cases closed since April	Non-Compliant: Material	Non-Compliant: Non-Material	Value of public funds protected or recoverable
Audit	333	36	297	£719,722.78
Operational	112	74	38	£1,478,960.55
Counter fraud/ External investigation	9	3	6	£10,912.26
Total	454	113	341	£2,209,595.59

3.11. We are working to maintain and further reduce the low levels of non-compliance on the scheme, by analysing the historical causes of and introducing new controls to address them.

4. Our Administration

- 4.1. As administrators of the scheme, Ofgem performs a number of functions, such as the review of applications and amendments, calculating and making payments, responding to enquiries and ensuring participants' ongoing compliance with the scheme regulations.
- 4.2. In order to ensure that we are providing a good service, we track our performance monthly and publish details on the Ofgem website.¹⁹
- 4.3. As detailed in **Table 4.1** below, Ofgem made application decisions within six months on 76.6% of applications. We also answered 14,900 phone calls and 8,180 emails with enquiries regarding the NDRHI scheme during 2020-21.
- 4.4. Ofgem made 94.5% of payments within 40 working days. This is an increase from last year, which saw 88.4% of payments made within 40 working days. The number of payments increased from the previous year, up to 76,134 compared to 71,285 in 2019-20.

Table 4.1: Ofgem NDRHI Delivery Performance

	2020-21
No. of application decisions ²⁰	1,196
Application decisions within 6 months	76.6%
No. of TG application decisions	411
TG application decisions within 6 months	94.9%
No. of payments made	76,134
Payments made within 40 WD	94.5%
Emails received	8,180
Emails responded to within 10 WD	95.8%
Calls received	14,900
Abandoned call rate	9.5%

- 4.5. The NDRHI scheme closed to new applicants in March 2021.²¹

¹⁹ [Link to Environmental programmes: Ofgem's role and delivery 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>>

²⁰ The number of application decisions includes both approvals and rejections

²¹ [Link to NDRHI Closure Document:](https://www.ofgem.gov.uk/system/files/docs/2021/03/ndrhi_closure_document_0.pdf)

<https://www.ofgem.gov.uk/system/files/docs/2021/03/ndrhi_closure_document_0.pdf>

- 4.6. The closure of the scheme does not affect the payments received by installations already accredited under the scheme. These installations must continue to comply with the scheme requirements and ongoing obligations in order to receive support payments.
- 4.7. Accredited applicants are eligible to receive support for up to 20 years, meaning that we will continue to administer and make payments under the scheme until 31 March 2041.

5. Looking Forward

- 5.1. The government closed the NDRHI to new applications on 31 March 2021. Post closure, the scheme will still be accepting applications for the following: modified capacity for shared ground loops, relocations of installations, change of ownership or transfer of producer, replacement plants, and full accreditation/registration where the applicant has been granted an extension application or a tariff guarantee and has until 31 March 2022 to apply for full accreditation/registration.
- 5.2. The NDRHI provides payments for up to a 20-year period meaning that the scheme will still be servicing participants up until 31 March 2041.
- 5.3. On 5 November 2020, the government confirmed plans to enact further changes to the NDRHI to allow non-Tariff Guarantee (TG) eligible projects impacted by delays relating to COVID-19 to apply for an extension application between 1 March 2021 and before midnight at the end of 31 March 2021. In order to be eligible for an 'extension application' applicants had to evidence that significant capital or significant human or material resource had been invested in the development of a plant on or before 17 August 2020. An applicant who had their extension application approved by Ofgem will then be able to apply for full accreditation on or before 31 March 2022.
- 5.4. We anticipate that we will continue to receive applications until 2022 for installations which applied under the extension application window and certain applicants who have been granted a TG have until midnight at the end of 31 March 2022 to commission their plant, commence injection (biomethane applications only) and submit a correct application for accreditation or registration. We equally expect plans for future deployment of ground source heat pumps and shared ground loop systems, via the modified capacity route, to be submitted to us up until 31 March 2023.
- 5.5. Looking ahead we will be preparing for additional changes which are due to come into force next year. The following changes are expected to be implemented on 1 April 2022:
 - **Maintenance standard for biomass boilers**²²
 - **Fuel quality standard**²³

²² [Link to The Non-Domestic Renewable Heat Incentive: Ensuring a sustainable scheme:](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/952233/ndrhi-ensuring-sustainable-scheme-government-response.pdf)
<https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/952233/ndrhi-ensuring-sustainable-scheme-government-response.pdf>

²³ [Link to The Domestic Renewable Heat Incentive Scheme and Renewable Heat Incentive Scheme \(Amendment\) Regulations 2021:](https://www.legislation.gov.uk/uksi/2021/76/made) <<https://www.legislation.gov.uk/uksi/2021/76/made>>

- 5.6. We will be updating the relevant guidance documents to reflect these changes before they come into force.
- 5.7. As applicants sought to benefit from the scheme prior to closure, there was an increased risk of non-compliance. As such we will be carrying out a programme of targeted audits on installations that applied to the scheme shortly before the scheme closed. This will include any full applications, TG applications and extension applications and will provide us with additional assurance that those applications are eligible for support. Ofgem has a zero tolerance approach to fraud and will be deploying robust counter fraud measures to ensure only those eligible receive support under the scheme.
- 5.8. Whilst the NDRHI has closed to the majority of new applications, the government is introducing a scheme to provide continued support for biomethane installations. The Green Gas Support Scheme (GGSS) is expected to open in autumn 2021²⁴ and is anticipated to remain open for applications until 2025. The GGSS will be funded by a levy on gas suppliers, the Green Gas Levy (GGL). The GGL is projected to launch alongside the GGSS with the first levy payment being collected in April 2022. Ofgem will administer these schemes alongside its ongoing duties under the NDRHI.
- 5.9. The current IT system used for the administration of the NDRHI was developed in 2011 and is now considered a legacy system, with limited support available and outdated security specifications. In order to support the ongoing operational delivery of the scheme and improve the user experience we are carrying out a complete rewrite of the NDRHI IT system.

²⁴ [Link to information on Future Support for Low Carbon Heat & The Green Gas Levy](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/970565/green-gas-levy-future-support-low-carbon-heat-govt-response.pdf):

<https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/970565/green-gas-levy-future-support-low-carbon-heat-govt-response.pdf>