

Non-Domestic Renewable Heat Incentive (RHI)

Annual Report

www.ofgem.gov.uk

July 2015

This is the third Non-Domestic Renewable Heat Incentive (RHI) annual report, covering the 12 month period of April 2014 to March 2015. It provides key statistics and data and a summary of activity.

Delivering operational excellence across the scheme

In November 2011 the Government launched the Non-Domestic RHI with the aim of incentivising industrial, commercial, public sector and not-for-profit organisations to install renewable heating systems. The scheme contributes to the UK's target of meeting 15% of energy demand with renewable sources by 2020.

Ofgem E-Serve's role is to administer the scheme based on the regulations, which are written by the Department of Energy and Climate Change (DECC) and approved by Parliament. We provide an application process and guidance for applicants, accredit eligible applications, register producers of biomethane for injection and, through our audit programme, conduct checks to ensure applicants and participants comply with the scheme rules. We receive and check participants' meter readings and other periodic data submissions, and make quarterly payments over a 20 year period to participants. Ofgem is also responsible for ensuring that the scheme is robust against fraud or error.

Over the financial year 2014/15 we have:

- accredited 5,184 installations – more than twice the number approved in 2013/14
- received 8,097 applications
- carried out 4,490 identity and bank validation checks
- made £101 million in payments to participants – nearly a three-fold increase on payments made in 2013/14
- run an intensive programme of audits to identify non-compliance
- approved 791MW of heat capacity to the scheme
- handled over 46,000 calls and 32,000 emails

We are committed to providing an excellent service to our customers. This has been demonstrated this year through our operational excellence programme. Some key outputs include:

- improvements and additions to our published guidance materials
- giving presentations and Q&A sessions at industry events across the UK
- providing regular updates and clarifications on upcoming changes to scheme regulations
- publishing and distributing our Quarterly Report

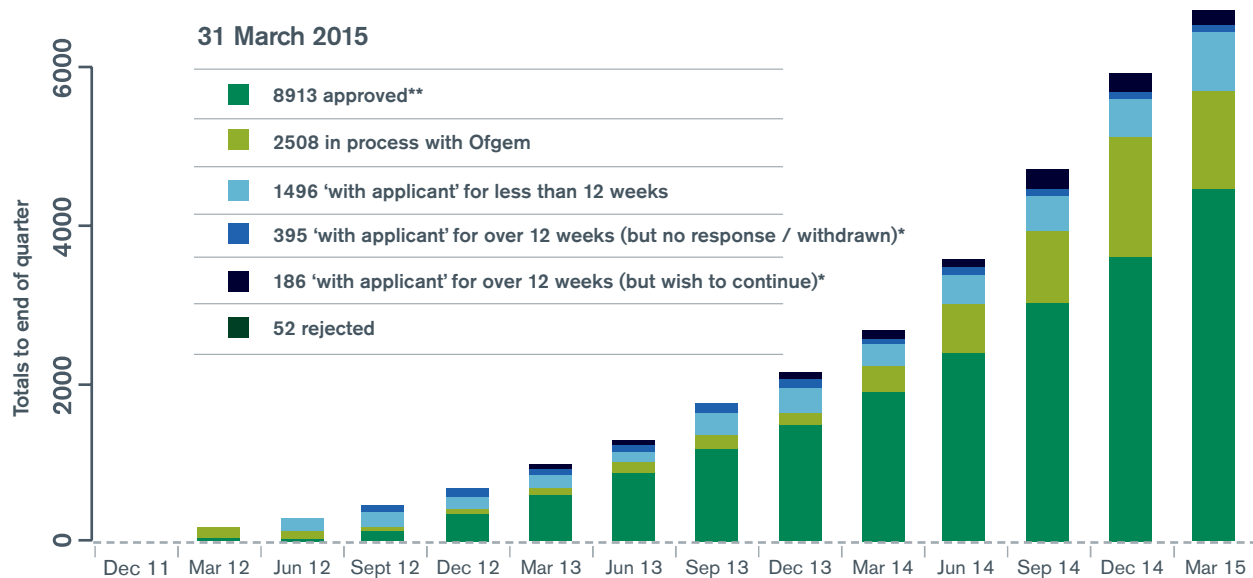


In December 2014 we published a factsheet¹ detailing the journey to reaching 1GW of installed capacity accredited onto the scheme. This factsheet gave an overview of the key transformations in our delivery approach as the scheme achieved this major milestone. One area of success was strengthening our stakeholder engagement, which was achieved through events and our Industry Advisory Group (IAG). This forum has been successful in allowing us to provide important updates to the renewable heat industry, and to mobilise the expertise of our attendees in improving our administration of the scheme. If you are interested in attending this forum or hearing about future webinars and other events, please get in touch at NDrhevents@ofgem.gov.uk.

Annual Results: November 2011 – March 2015

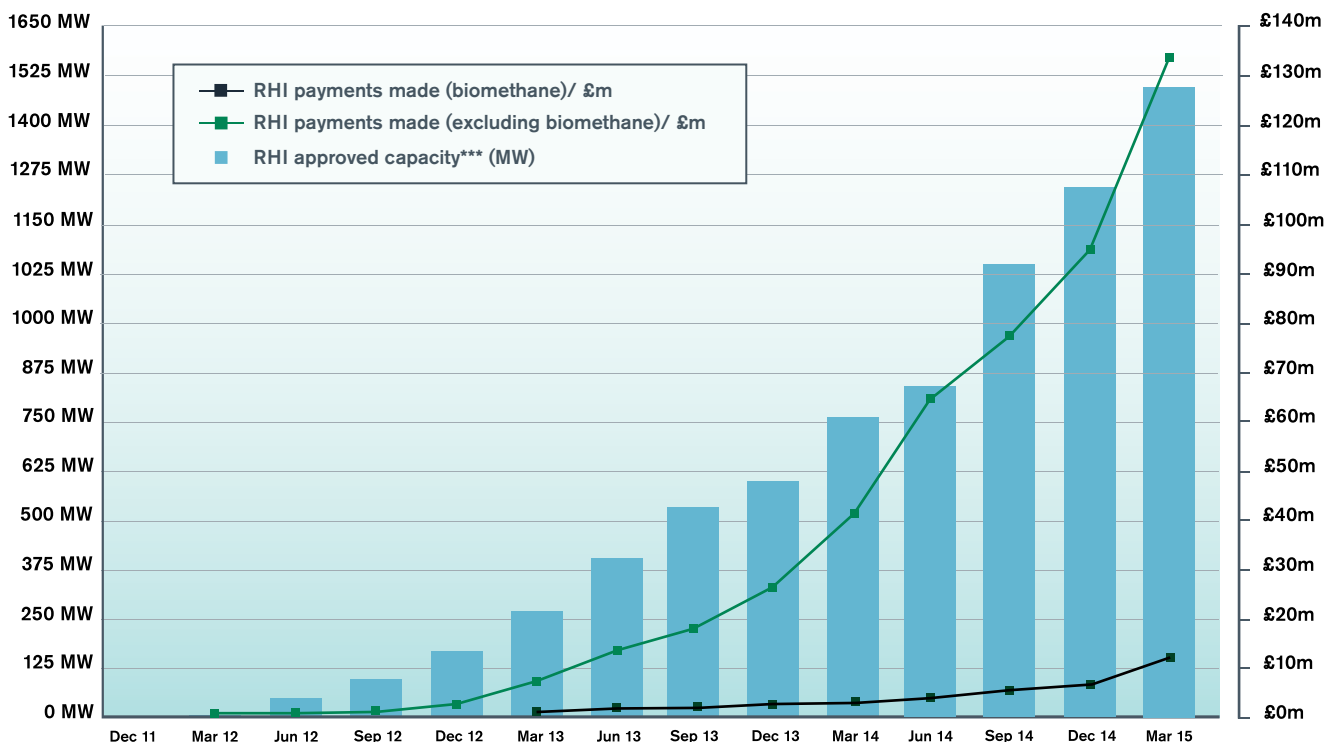
The charts and graphs on this page and the next page provide key statistics for the Non-Domestic RHI scheme.

Chart 1: Non-Domestic RHI applications and accreditations by status



This chart presents the status of Non-Domestic RHI applications and accreditations at quarterly intervals since the scheme began.

Chart 2: RHI approved capacity and payments - cumulative



*From December 2013, the descriptions for 'with applicant' over 12 weeks or more and 'Dormant' previously reported were amended to 'with applicant' for over 12 weeks (but wish to continue) and 'with applicant' for over 12 weeks but no response / withdrawn. Figures for 'with applicant' over 12 weeks prior to December 13 may not be consistent with current terminology.

**The 'approved' figures are based on active full accreditations from June 2014. Before June 2014 the figures included all preliminary and full approvals.

***Does not include volumes of biomethane injection contribution
Figures may be subject to change.

Chart 3: Proportion of accredited installations and registered biomethane producers on the Non-Domestic RHI scheme by technology type (scheme to date)

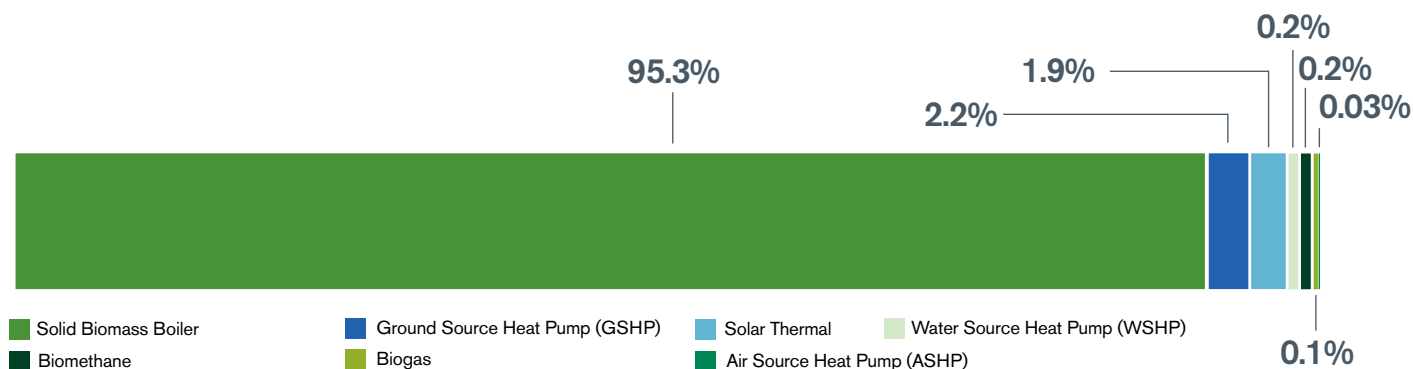


Chart 4: Non-Domestic RHI total accredited capacity by country (scheme to date)

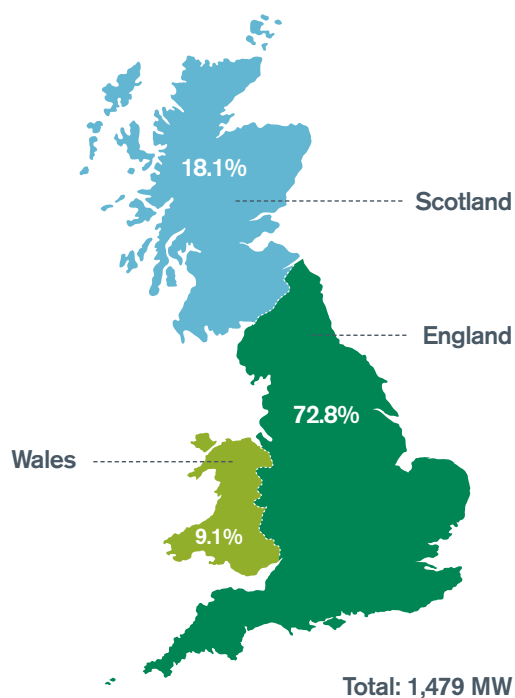
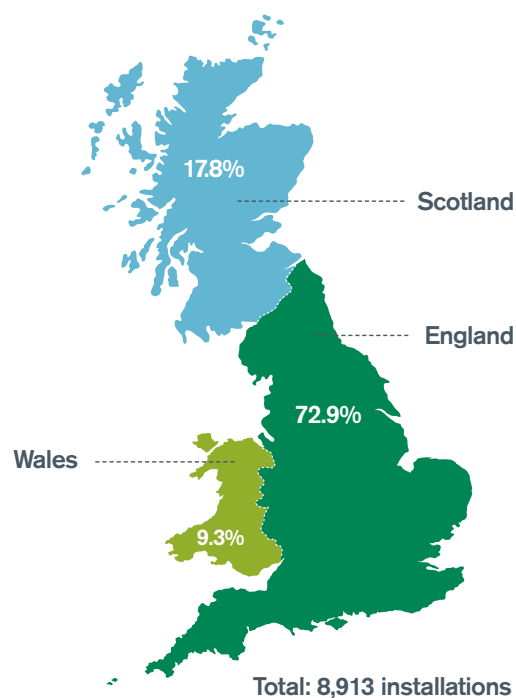


Chart 5: Percentage of accredited Non-Domestic RHI installations and registered biomethane producers by country (scheme to date)



Significant changes to non-domestic RHI regulations

This section details significant changes which DECC introduced to the Non-Domestic RHI scheme regulations in the financial year 2014/15, including changes which have not yet come into effect.

May 2014

Changes to eligible technologies and tariffs were introduced on 28 May 2014². These changes included:

- Air-to-water heat pumps being made eligible
- Biogas eligibility being extended to 200kW and above
- New tariffs were being introduced for some existing technologies

February 2015

A new tiered biomethane tariff was introduced on 12 February 2015 as well as the provision to allow underground pipework to be considered as 'properly insulated'. Further minor amendments were also made³.

Upcoming sustainability criteria

New sustainability criteria will come into force on 5 October 2015. This will apply to all existing and new participants generating heat from biomass or biogas, or producing biomethane for injection. The requirements consist of a greenhouse gas emissions limit and land criteria.

- Most participants will be able to demonstrate they comply by buying fuel from a supplier on the Biomass Suppliers List (BSL).
- Other options are to register on the BSL as a self-supplier, or to self-report which involves collating your own evidence to show fuel meets the criteria
- Fuel classified as waste is considered to be sustainable

Specific information on what participants should do now is available on our website: www.ofgem.gov.uk/environmental-programmes/non-domestic-renewable-heat-incentive-rhi/policy-and-regulations/october-2015-changes-non-domestic-rhi-regulations-biomass-sustainability-and-biomass-suppliers-list.

Key contacts

RHI

For more information, visit the Ofgem webpage at www.ofgem.gov.uk/rhi. You will find clear information about the accreditation process and how to apply, and instructions on your ongoing obligations.

Alternatively, you can contact the RHI enquiry team on **0845 200 2122**, or via email at RHI.Enquiry@ofgem.gov.uk

Press enquiries

For press enquiries please contact the Ofgem press office on **020 7901 3858**

² www.ofgem.gov.uk/environmental-programmes/non-domestic-renewable-heat-incentive-rhi/policy-and-regulations/changes-non-domestic-rhi-regulations-spring-2014-new-technologies-and-updated-tariffs

³ www.ofgem.gov.uk/publications-and-updates/changes-non-domestic-rhi-regulations-february-2015