

Non-Domestic Renewable Heat Incentive

www.ofgem.gov.uk/ndrhi

31 JUL 2019

Annual Report 2019

This is the seventh Non-Domestic Renewable Heat Incentive (RHI) annual report, which provides an update on the scheme from April 2018 to March 2019. It includes key statistics, details of changes to the scheme and a summary of activity over the past year.

Update on the Non-Domestic RHI

The Non-Domestic Renewable Heat Incentive (RHI) is a government environmental programme which provides financial incentives to promote the uptake of renewable heat by businesses, the public sector and non-profit organisations. The scheme, which was set up in 2011, contributes to the UK's target of meeting 15% of energy demands with renewable sources by 2020.

Background

Ofgem administers a number of environmental programmes including the Non-Domestic RHI. The Department for Business, Energy & Industrial Strategy (BEIS) writes the regulations which are approved by Parliament. Ofgem administers the application process, publishes guidance for applicants and participants, accredits eligible installations and registers producers of biomethane for injection. We receive and check participants' meter readings and other periodic data submissions, make payments, and carry out audits to ensure applicants and participants comply with scheme rules. Ofgem is also responsible for ensuring the scheme is guarded against fraud and error.

We have continued to work closely with the Department for Business, Energy and Industrial Strategy (BEIS) to ensure the scheme is being delivered efficiently and in accordance with policy. This includes improving the way the scheme operates and to implement changes to the regulations.

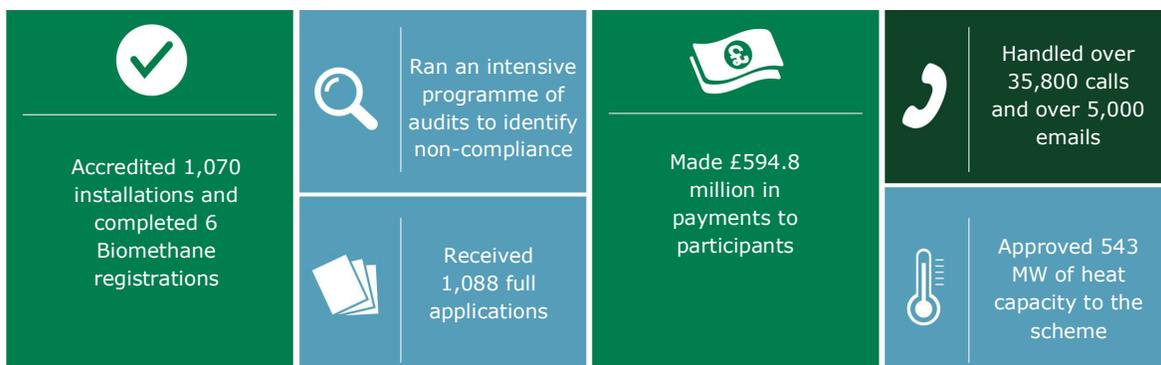
Year in review

- At the end of March 2019 there were 20,160 participants on the Non-Domestic RHI scheme. In total, there was over 4.5GW of heat capacity installed on the scheme.
- A number of important regulation changes were introduced or came into force between April 2018 and March 2019, including the introduction of [Tariff Guarantees](#), Shared Ground Loops and changes to eligible heat uses.
- In continued support of wider government policy on air quality, Ofgem have played an active role in the cross-government 'Air Quality on the RHI' working group. Outputs from this group have included a greater level of collaboration on compliance and enforcement between Ofgem and the Environment Agency.

Assurance

- Non-compliance levels on the Scheme fell slightly compared to the previous year, with the estimated level of error based on statistical audit programme being just over 2% of payments. We will continue to work to reduce this level through our targeted audit programmes, and strengthening of controls at accreditation. We are also using data analytics and cross-referencing information with other schemes we administer to increase our ability to prevent and detect non-compliance.
- We conducted an increased number of audit checks throughout the year as part of our commitment to ensure compliance on the scheme and audited 697 installations (up from 568 in 2017-18). Investigations closed within the year has resulted in £725,258.89 of public funds protected/ expected to be recovered.
- Following a review of the RHI schemes by the National Audit Office (NAO) and Public Accounts Committee (PAC), Ofgem has successfully addressed a number of NAO findings concerning its audit and compliance activity. Ofgem is continuing to work to reduce non-compliance levels in the scheme by understanding the root cause of non-compliance and introducing new controls to address them.

During the financial year 2018/19 we:

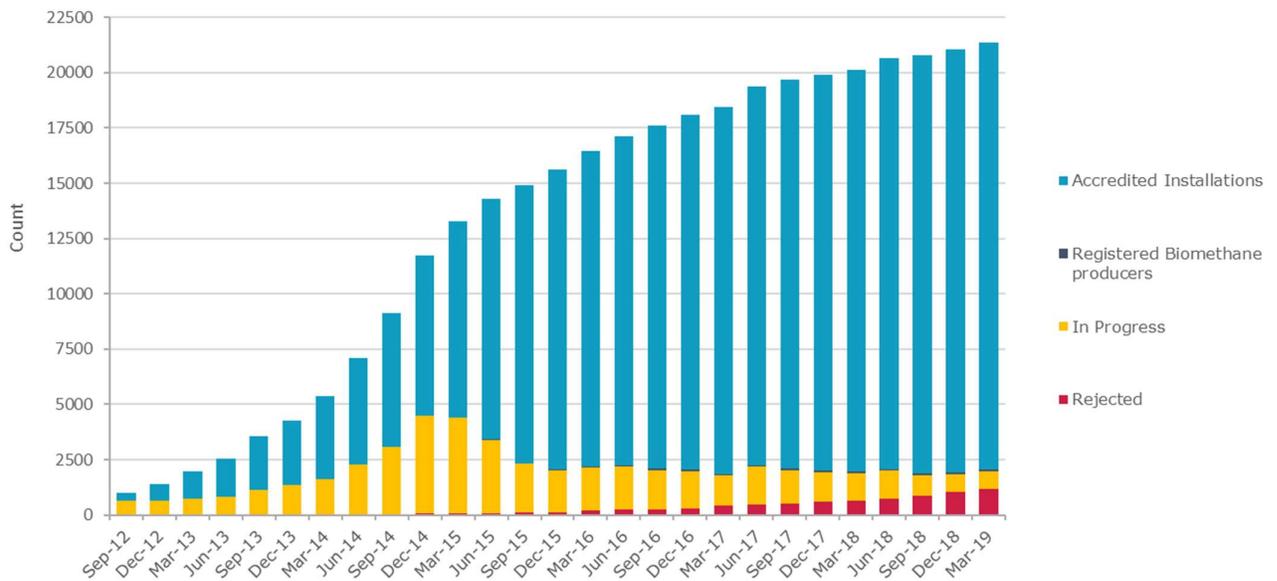


Key Scheme Statistics

The following charts provide key statistics for the Non-Domestic RHI scheme¹.

Chart 1: Non-Domestic RHI applications

This chart shows the status of Non-Domestic RHI applications and accreditations at quarterly intervals, split by key categories.

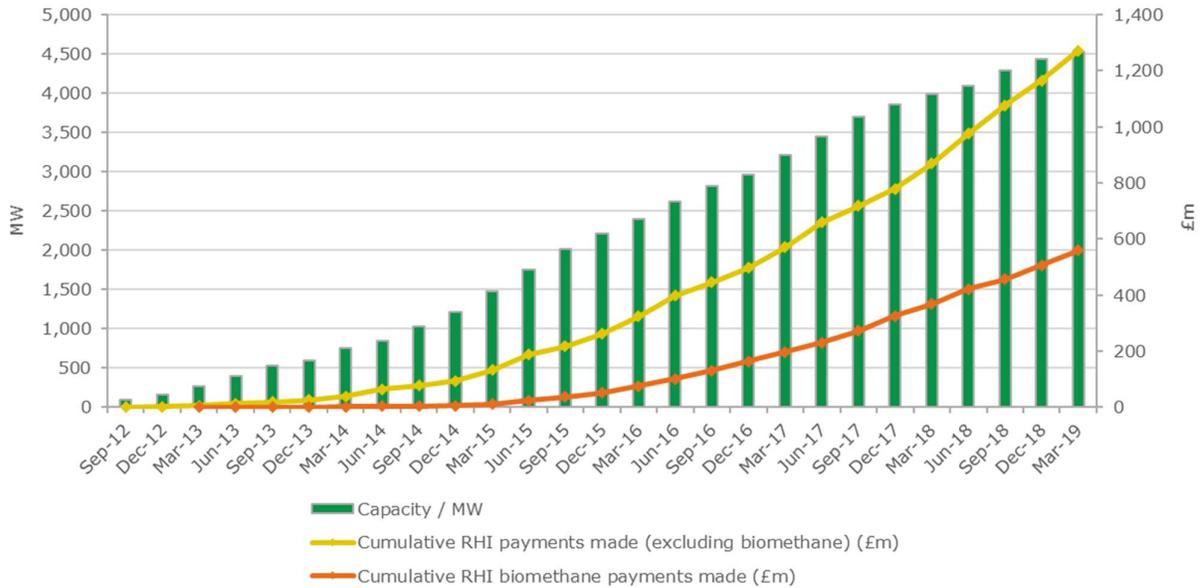


Historical figures can be found on our [website](#).

¹ All data is correct as of 1st April 2019

Chart 2: RHI approved capacity and payments (cumulative)

Non-Domestic RHI payments are made based on quarterly heat data submitted by participants, with the first payments made in March 2012. These capacity figures are based on active full accreditations from June 2014. Prior to that, the figures included both preliminary and full approvals.



Historical figures can be found on our [website](#).

Chart 3: proportion of approved Non-Domestic RHI installations by technology type (scheme to date)

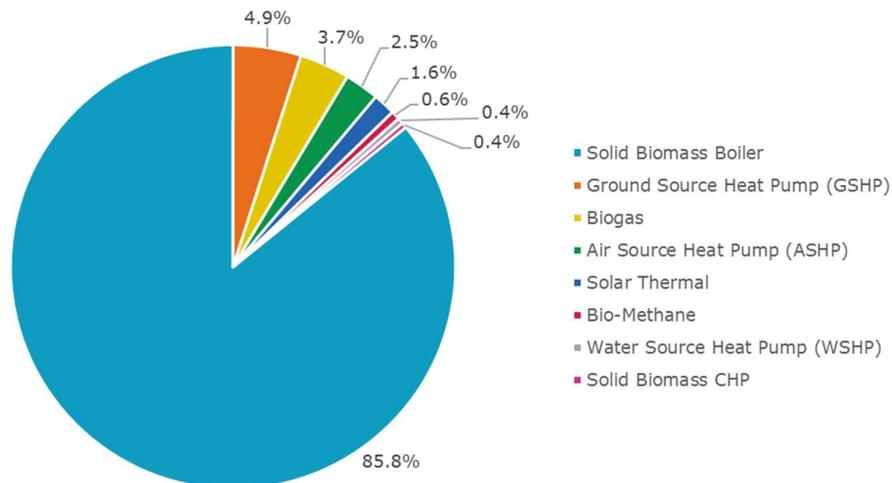


Chart 4: Non-Domestic RHI total accredited capacity (MW) by country (scheme to date)

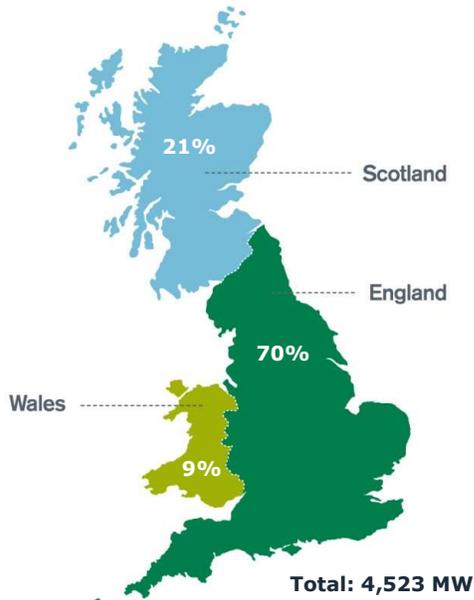
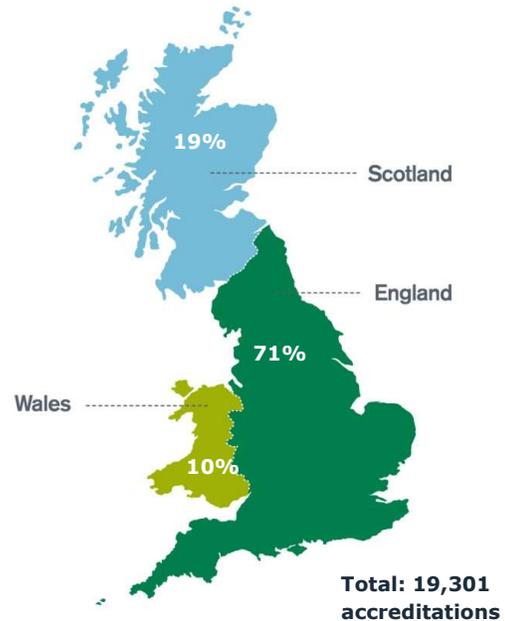


Chart 5: Percentage of accredited Non-Domestic RHI installations and registered biomethane producers by country (scheme to date)



Changes to the Non-Domestic RHI Regulations

This section summarises changes to the Non-Domestic RHI Regulations introduced by BEIS in Great Britain over the past year (April 2018 – March 2019)

May 2018 – Changes to the Non-Domestic RHI Regulations came into force

On 22 May 2018 the Renewable Heat Incentive Scheme Regulations 2018 came into force, which introduced a number of changes and new policies:

- Tariff Guarantees:** Tariff Guarantees were introduced, which allow applicants to secure a tariff rate before their installation is commissioned and fully accredited on the RHI. More information can be found in our [Guide to Tariff Guarantees](#).
- Shared Ground Loops:** Under the new Regulations, applications submitted for a system where a ground loop is connected to two or more heat pumps will be classified as a shared ground loop (SGL) system. Please see our [Easy Guide to Shared Ground Loops](#) for more information.

- **Eligible Heat Use:** Changes were also made to the eligible uses of heat supported (for applications made on or after 22 May 2018). This included the removal of wood fuel drying, digestate drying, waste drying or processing, and domestic swimming pools as eligible uses of heat.
- **Feedstock Restrictions:** New restrictions on feedstock types for new biomethane production and biogas combustion were also introduced.

June 2018 – Biomethane changes came into force

From 20 June 2018, the RHI regulations required biomethane applicants to specify the biogas production plant to be used for the purposes of RHI registration and to confirm that the equipment used to produce biomethane has been commissioned. The purpose of this change was to remove the process of staggered commissioning for biomethane plants.

October 2018 – Additional changes came into force

The following changes introduced in the 29 May 2018 Regulations came into force on 1 October 2018:

- **Replacement Plant:** Participants are now able to replace their accredited installation under certain circumstances. The purpose of this change is to enable participants whose plant may break down to replace their plant and stay on the same tariff for the remainder of their participation on the scheme.
- **Estimated Data:** Changes were made to the circumstances under which 'estimated data' may be submitted where meter readings cannot be provided. The regulations now specify that estimated data may be submitted for no more than eight quarterly periodic data submissions within a 20 year tariff lifetime. The changes also prevent estimated data being used where it would lead to a revision of periodic support payments that have already been made.
- **Environmental Permits:** It was clarified in the Regulations that all RHI installations must have the necessary environmental permits and must continue to comply with all local and national laws including those related to the environment.

Key Contacts

RHI

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

If you can't find the information you need on our website, our customer service team will be happy to help on 0300 003 2289 or email rhi.enquiry@ofgem.gov.uk.

Press enquiries

For press enquiries please contact Ofgem's press office on 0207 901 717