

# Domestic Renewable Heat Incentive

www.ofgem.gov.uk/drhi

31 JULY 2019

## Annual Report

**The Domestic Renewable Heat Incentive (RHI) opened for applications on 9 April 2014. The scheme is for people across England, Scotland and Wales who install eligible renewable heating systems in their homes. This report details the activity for the fifth year of the Domestic RHI scheme, which covers 1 April 2018 to 31 March 2019.**

### Background

The Department for Business, Energy and Industrial Strategy (BEIS), launched the Domestic Renewable Heat Incentive (RHI) scheme in April 2014. The intent was to bridge the gap between the cost of fossil fuel heating sources and renewable heating alternatives by providing financial support for homeowners, private and social landlords, and people who built their own homes. The scheme was also designed to help build and support the supply chains needed to deliver the UK's targets for renewable heat in 2020 and beyond.

Ofgem administers a number of environmental programmes, including the Domestic RHI. We continue to work closely with BEIS to implement changes to the regulations, improve efficiency and ensure the scheme is delivered effectively.

Our audit and compliance activity supports this aim and helps protect the public purse by ensuring ongoing compliance with the scheme rules.

We are committed to providing an excellent service to applicants and participants on the scheme. This includes improving the way the scheme operates and implementing major policy changes.

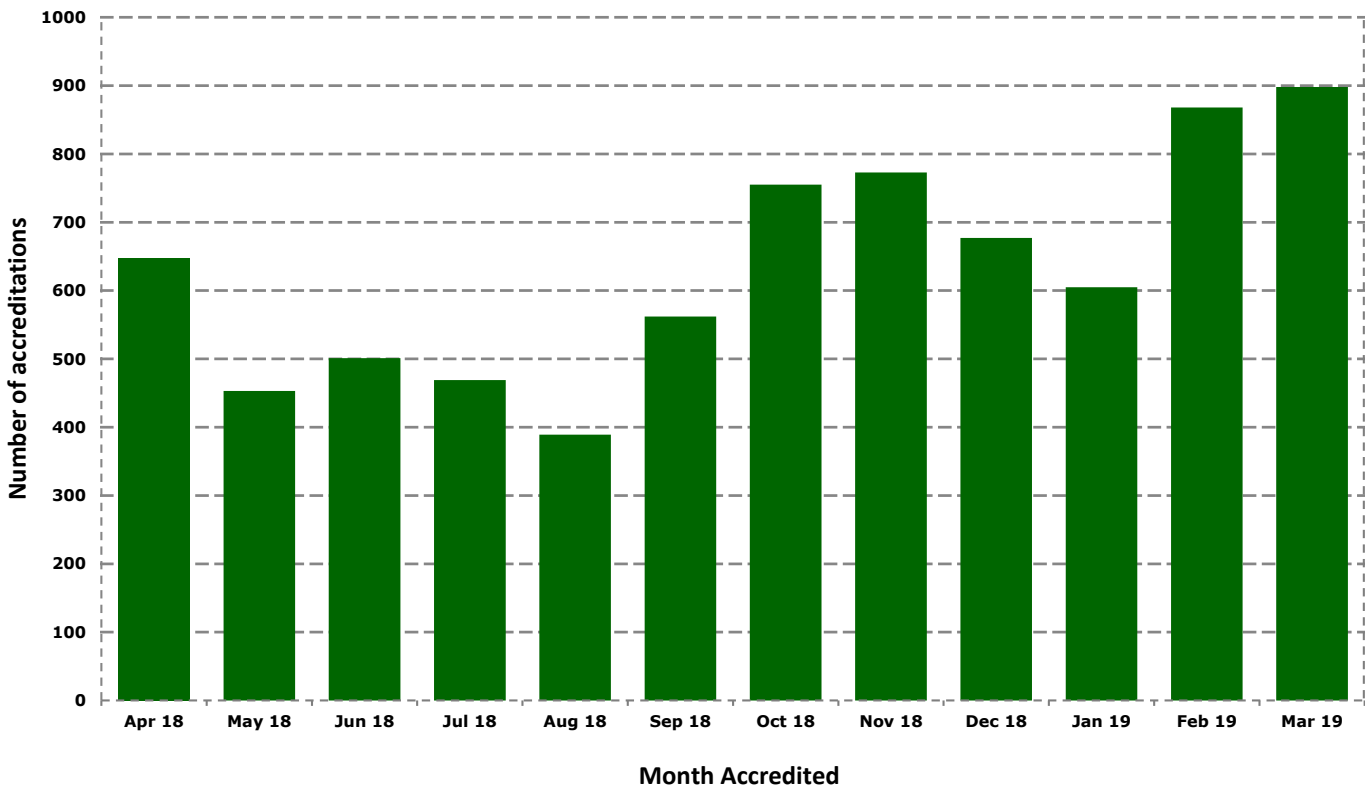
### Year in Review

Over the course of the year we've worked with BEIS on a range of regulation changes to the scheme.

We've developed and published new guidance to support these regulation changes and updated our IT systems.

The biggest change to the scheme came in June 2018 with the introduction of [Assignment of Rights \(AoR\)](#). AoR allows an investor to help fund the purchase or installation of a renewable heating system and in return receive the rights to RHI payments. There were seven approved AoR investors by the end of Scheme Year 5 (SY5).

## Number of DRHI accreditations



**7,597**

Accreditations in the fifth year of the scheme

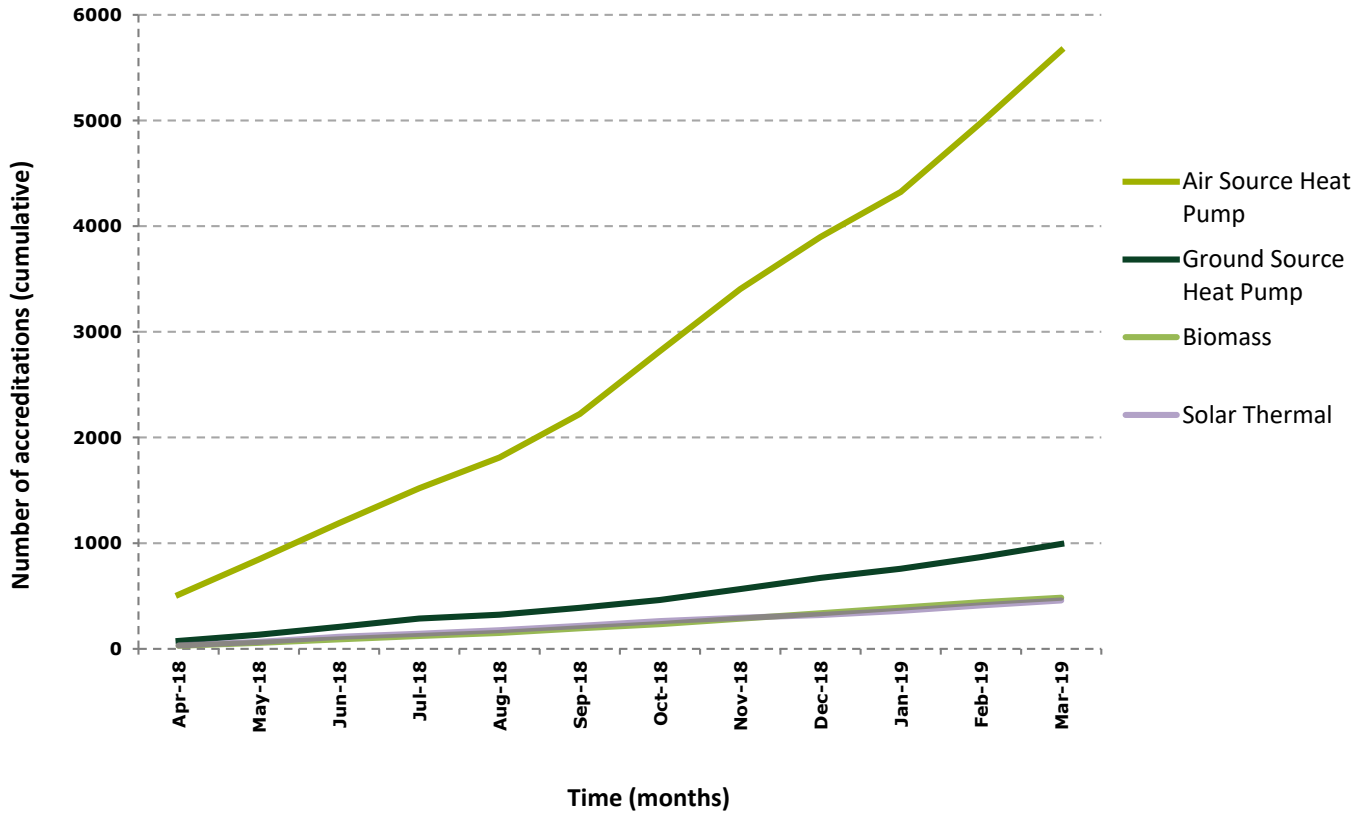
**67,971**

Accreditations in total since scheme launch

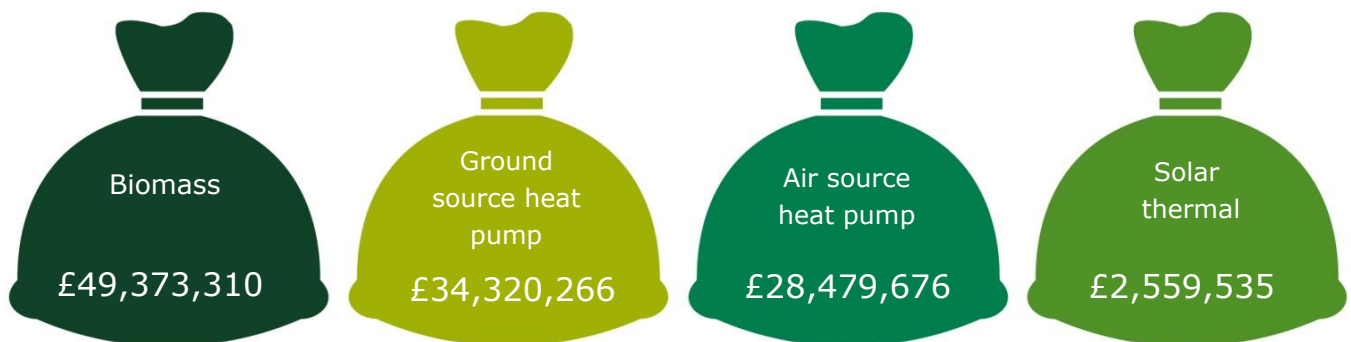
A total of 9,949 applications were submitted to the Domestic RHI scheme across 2018/19 (an increase of 6.49% from 2017/18), with the split following the seasonal pattern we typically see on the scheme. However, there was an increase in Air Source Heat Pump accreditation applications towards the end of the year, which resulted in higher than anticipated volumes of applications being received. Early data suggests that this trend of increased Air Source Heat Pump applications has continued into 2019/20. We will update on this apparent trend in next year's annual report.

## Accreditations by technology (Cumulative over this financial year)

The graph below shows the number of accreditations granted by technology type. Air source heat pumps continue to be the most popular choice of technology, followed by ground source heat pumps. Meanwhile the number of solar thermal and biomass accreditations remain fairly similar.



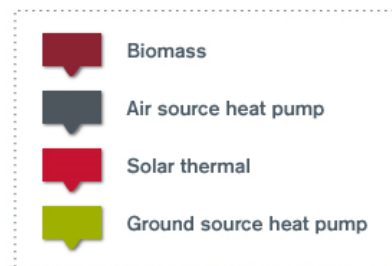
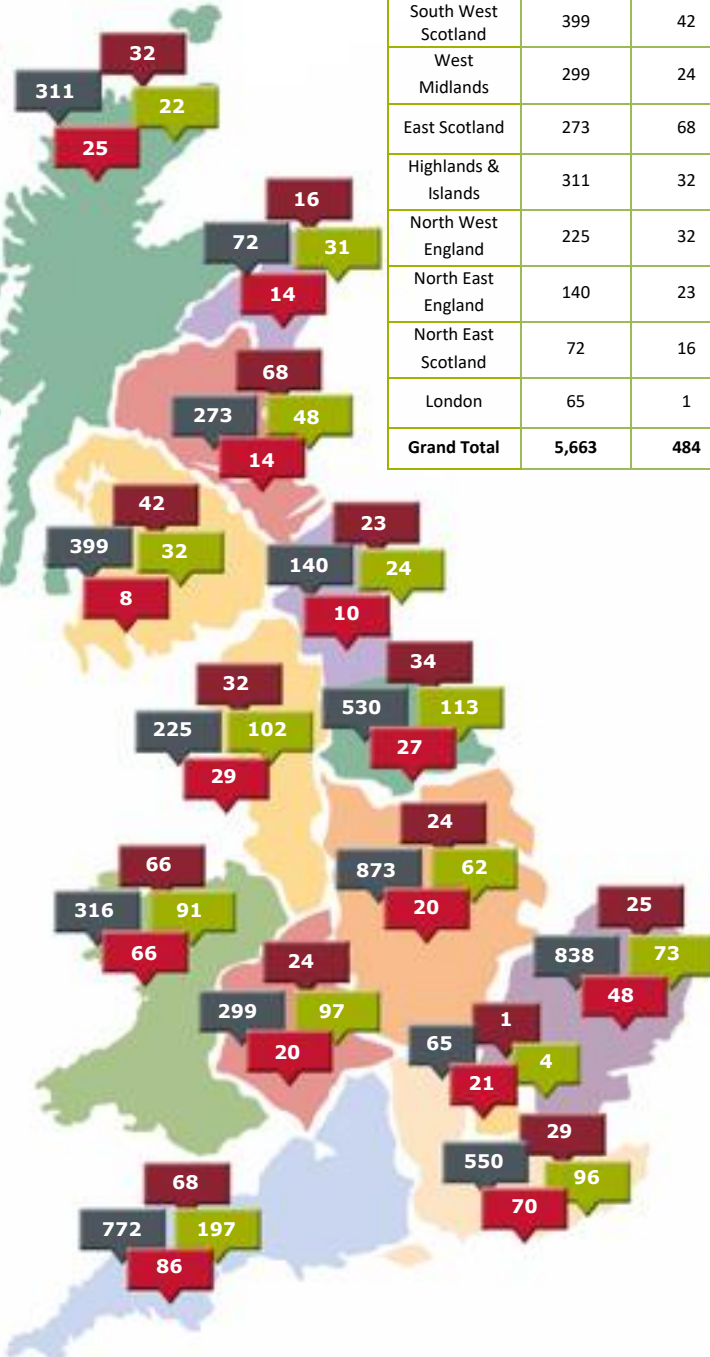
## Payments made to accredited customers (In financial year 2018-19)



## Geographic distribution of accredited installations this year



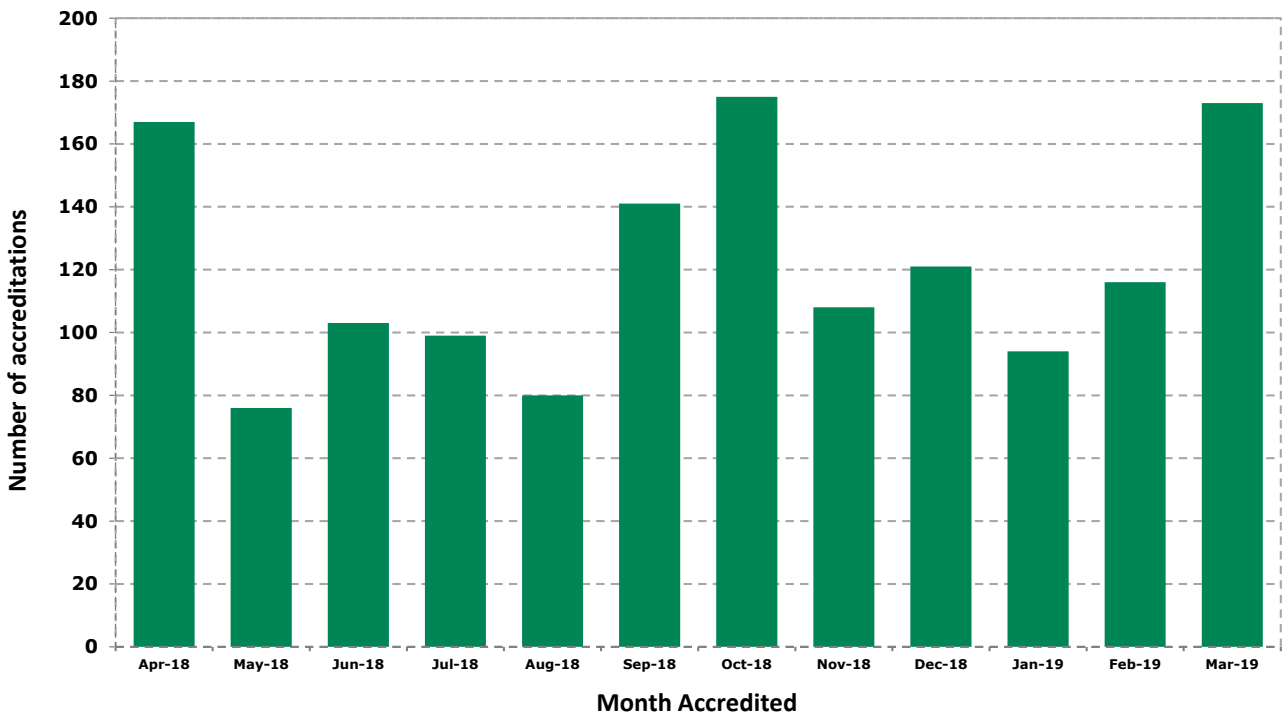
Location	Air source heat pump	Biomass	Ground source heat pump	Solar Thermal	% Increase of total accreds in year 5	% Change in accreds, Y4 to Y5	Grand Total
South West England	772	68	197	86	12.0	0.8	1,123
East England	838	25	73	48	13.6	-14.5	984
East Midlands	873	24	62	20	19.6	4.3	979
South East England	550	29	96	70	10.3	-14.9	745
Yorkshire & The Humber	530	34	113	27	12.9	-11.8	704
Wales	316	66	91	66	12.7	-7.9	539
South West Scotland	399	42	32	8	10.3	35.5	481
West Midlands	299	24	97	20	12.2	3.3	440
East Scotland	273	68	48	14	12.1	1.8	403
Highlands & Islands	311	32	22	25	13.9	6.6	390
North West England	225	32	102	29	10.2	-11.2	388
North East England	140	23	24	10	11.2	-12.4	197
North East Scotland	72	16	31	14	11.7	9.0	133
London	65	1	4	21	12.4	-14.2	91
<b>Grand Total</b>	<b>5,663</b>	<b>484</b>	<b>992</b>	<b>458</b>	<b>12.6</b>	<b>-3.8</b>	<b>7,597</b>



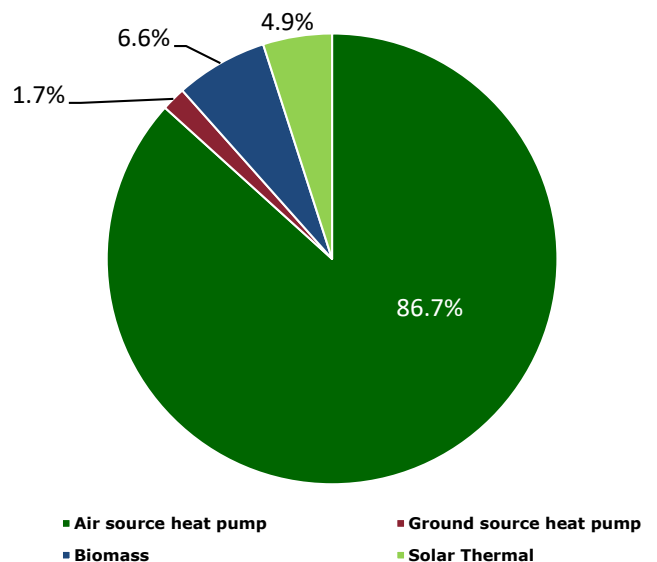
## Registered Social Landlords

Registered Social Landlords (RSLs) are also eligible to apply for the Domestic RHI. In total 15,325 accreditations have been awarded to RSLs, 42% (6,501) of which relate to 'legacy' installations (installations that were commissioned between 15 July 2009 and 9 April 2014 – before scheme launch – and applied before the legacy application deadline of 8 April 2015). Air source heat pumps continue to be the preferred technology among RSLs.

## Number of RSL accreditations



Percentage of RSL applications by technology type



**1,453**

RSL accreditations in the fifth year of the scheme

**22.5%**

of all accreditations are RSL applications

### Assurance and Audit

Following on from a National Audit Office audit, we developed our 18/19 audit strategy to account for the recommendations set out in their report. Some of the recommendations taken into account consist of carrying out both a desk and site audit on every statistical audit. This approach ensured that every area of that application is reviewed during the audit. We also decided to increase the confidence level of our statistical audits from 80% to 90%. This provided us with greater assurance on the results of audits, and will reflect the state of the population of accreditations.

There are different types of audit carried out under the scheme:

- Statistical audits are audits that have been randomly chosen from the whole scheme population
- Campaign audits are audits that we've chosen based on new or amended regulations
- Targeted audits are audits that we've chosen based on risk areas within the scheme

We give each audit a rating depending on the findings. These ratings are:

- Good (no issues identified at audit)
- Satisfactory (minor issues identified)
- Weak (the audit identified moderate issues of non-compliance), and
- Unsatisfactory (major instances of non-compliance or suspected fraud identified).

In order to be considered compliant, a rating of Good or Satisfactory should be achieved. A total of 697 desk and 611 site audits were conducted in 18-19. The compliance rate of desk audit was **72%** and the compliance rate of site audits was **76%**.<sup>1</sup>It should be noted however that a number of audits from 18-19 are still open, as applicants have right of review and during this process the decisions can be overturned. Some non-compliances will be resolved by participants providing the information after the audit. Others will result in recoupment of overpayments or, in the worst cases of non-compliance revocation of accreditation.

The main reasons we have identified as non-compliant through our audits this year have been:

- Microgeneration Certification Scheme certificate having incorrect details
- Metering is required
- Evidence was not provided at audit
- Installation is not in working order
- Energy Performance Certificate having incorrect details

Whilst these rates are a significant improvement on the previous year, there remains significant work to do to bring overall non-compliance down. We have now started work focused on identifying the root causes of non-compliances. From this we will look to implement improvements and further controls to our systems and processes, highlight issues to third parties (such as MCS or EPC accreditation bodies) and suggest possible amendments to regulations.

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<sup>1</sup> These percentages include both material impacting on eligibility or the amount of RHI payment that should have been issued and non-material non-compliance, which do not.

## Installer Fraud

An installer has received a custodial sentence of 34 months after a court found him guilty of six counts of fraud for putting consumers at loss for not being able to claim RHI payments. Ofgem Counter Fraud and Policy teams worked with West Yorkshire Police in providing evidence to help bring about a successful conclusion to this case.

Applicants must be aware and conduct checks on their installer to ensure that they are both MCS and Consumer Code certified, prior to entering into a contract with them. As part of our counter fraud efforts, we rely on the information and co-operation provided by our participants. If you suspect fraudulent activity, let us know as soon as possible at [counterfraud@ofgem.gov.uk](mailto:counterfraud@ofgem.gov.uk). To find out whether an installer is MCS certified, search for them on the MCS database<sup>2</sup>.

## Our administration (In financial year 2018-19)



**27,159**

Phone calls were received in total

**9.98%**

of calls made were abandoned

**1,536**

email enquiries were received in total

**76%**

of email enquiries were responded to in 10 working days

The customer satisfaction score for our application process was

**77%**

**93%**

of applications received a decision within 6 months

**527**

Applications to transfer an accreditation to a new heating system owner were processed

**98%**

of payments were made within 30 working days of their due date

If you have any questions about the content of this report, please let us know by emailing [DRHIResolutions@ofgem.gov.uk](mailto:DRHIResolutions@ofgem.gov.uk).

<sup>2</sup> <https://www.microgenerationcertification.org/consumers/installer-search/>