

From: Stuart Wightman

Tel No: 29425

Date: 15 November 2016

To: 1. John Robinson
2. Simon Hamilton MLA

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COR 1299-2016 - UPDATE ON THE GOVERNMENT RESPONSE TO THE CONSULTATION ON REFORM OF THE RHI SCHEMES

Issue: Correspondence from Baroness Neville-Rolfe DBE CMG providing an update on the Government Response to the Consultation on Reform of the GB RHI Schemes

Timing: The changes to the GB schemes are due to take effect by spring 2017.

Executive Committee Referral: N/A.

PFG Implications: N/A.

Presentational Issues: None.

FOI Implications: May be discloseable under the Environmental Information Regulations 2004.

Financial Implications: N/A.

Legislation Implications: N/A.

Statutory Equality Obligations: N/A.

Recommendation: That you note the proposed changes to the GB RHI scheme (**Annex A**) and respond to Baroness Neville-Rolfe DBE CMG using the draft provided at **Annex B**.

BACKGROUND

1. Baroness Neville-Rolfe DBE CMG has written to you to provide an update on her department's proposals for reform of the domestic and non-domestic RHI schemes in GB.

2. A public consultation in relation to the proposed reform of the schemes was launched in GB on 3 March 2016. The consultation closed on 27 April 2016 and received 370 responses.
3. The Department of Business, Energy and Industrial Strategy (BEIS) has prepared a Government Response following the closure of the consultation setting out the final BEIS policy position for the amendments. It is intended that these changes will be implemented in spring 2017.
4. A summary of the proposed changes to the GB RHI schemes along with a summary of the NI schemes is attached at **Annex A**.

Recommendation

5. That you note the proposed changes to the GB RHI scheme (**Annex A**) and respond to Baroness Neville-Rolfe DBE CMG using the draft provided at **Annex B**.



STUART WIGHTMAN
Energy- Renewables Division
Ext. 29425

cc: John Robinson
Andrew McCormick
Chris Stewart
Lucy Marten
Seamus Hughes
John Simms
Siobhan Tweedie
Press Office

SUMMARY OF DOMESTIC AMENDMENTS TO GB RHI SCHEME

The main proposals included in the reform in relation to domestic properties are:

- The scheme will continue to support all four technologies currently supported by the scheme.
- The tariffs for new Air Source Heat Pumps (ASHP) and Ground Source Heat Pumps (GSHP) will be increased to 10.02 pence per kilowatt-hour (p/kWh) and 19.55p/kWh respectively.
- All new ASHPs and GSHPs applying for support under the scheme will be required to install electricity metering alongside their heating system. However, payments will continue to be made on the basis of the deemed heating requirements of the property. The only exceptions to this will be where the heating is for a second home and where a renewable heating system is installed alongside another heating system, in which case payments will continue to be on the basis of heat metering.
- GSHPs making use of a shared ground loop will continue to be eligible for the non-domestic scheme and will not be eligible on the domestic scheme.
- The tariff for new biomass installations will be increased to 6.44p/kWh, the level available between October and December 2015, adjusted for inflation.
- Heat demand limits will be introduced, to limit the level of annual heat demand in respect of which any household can receive support. The heat demand limits will be set at 20,000kWh for ASHPs, 25,000kWh for biomass boilers and stoves and 30,000kWh for GSHPs. However, this will not disqualify properties with higher heat demands from applying to the scheme. There will be no heat demand limit for solar thermal.
- There will be some changes to the budget management arrangements for the scheme.

SUMMARY OF NON-DOMESTIC AMENDMENTS TO GB RHI SCHEME

The main proposals in relation to non-domestic properties are:

- Tariff guarantees, providing investors with greater certainty regarding their tariffs earlier in the project cycle, will be introduced for large biomass boilers (above 1MW in capacity); large biogas plant (above 600kWth); GSHPs above 100kW, and; all capacities of biomethane, biomass-CHP and deep geothermal plant. However, the Government will limit the amount of heat that will be covered by a single tariff guarantee to 250GWh per annum. The tariff guarantee process is described below.
- The three current biomass tariff bands will be replaced with a single tariff, which will be subject to tiering. The Tier 1 tariff will be set at 2.91p/kWh and the Tier 2 tariff at 2.05p/kWh. The tier threshold will be set at 35%.
- There will be no further changes specific to support for biomass-CHP support. Changes were introduced in August 2016 which set a minimum power efficiency which plants need to reach in order to claim the biomass-CHP tariff for all their eligible heat use.

- The tariffs for ASHPs will remain at 2.57p/kWh. The tariff for GSHPs will remain at 8.95p/kWh for Tier 1 and 2.67p/kWh for Tier 2 with no change to the tier threshold.
- GSHPs sharing a ground loop will continue to be eligible for support through the non-domestic RHI. However, payment will be made on the basis of deemed heat use for domestic properties, as in the domestic scheme.
- For new heat pumps metering will continue to be required for the purposes of making payments.
- The biomethane tariffs will be reset to the levels between April and June 2016: Tier 1 – 5.35p/kWh; Tier 2 – 3.14p/kWh; Tier 3 – 2.42p/kWh.
- For biogas, the tariff level will be maintained at the current levels (4.43p/kWh for small scale; 3.47p/kWh for medium and 1.30p/kWh for large). Degressions which impact on the biogas tariffs between now and the date the regulations come into force will be reversed on that date.
- New biogas / biomethane plant will only receive support for all biogas / biomethane produced if at least 50% is derived from feedstocks that are wastes and residues. For plants 1MWth and over, an annual independent feedstock audit will be required. Furthermore, support for heat used to dry digestate will also be removed.
- Solar thermal systems will remain eligible for support under the scheme and the capacity limit of 200kW will continue to apply.
- Deep geothermal plant of all sizes will continue to be eligible for the scheme with a tariff of 5.08p/kWh. There will be no change to the tariff available, but all plant will be eligible for tariff guarantees.

SUMMARY OF NORTHERN IRELAND TARIFFS

The Northern Ireland schemes provided a range of tariffs depending on the type and size of technology. Support for non-domestic installations was to be paid over a period of 20 years, which is the expected lifetime of the technology involved. Support for domestic installations was for a 7 year period. The tariffs that were available for the various technologies are summarised in the table below.

Non-domestic Technology	Tariff (p / kWh)		
	<20KW	20 – 99KW	>99KW
Biomass (before 18 November 2015)	6.8	6.5	1.5
Ground Source Heat Pump	9.1	4.7	1.3
Solar Thermal	9.2		
Biomethane all scales, biogas < 200kWth	3.3		

Domestic Technology	Upfront payment*	Tariff (p/kWh)
Air Source Heat Pumps	£1700	3.5
Biomass	£2500	5.6
Ground Source Heat Pumps	£3500	8.2
Solar Thermal	£320	13.5

* For accredited domestic plants not in receipt of an RHPP grant

On 18 November 2015, the NI Assembly approved legislation in relation to the non-domestic scheme to introduce an annual tiered tariff for the small and medium biomass installations which reduced to 1.5 p / KWh after 1,314 hours (15%). A similar tiered tariff exists in the GB RHI scheme.

The legislation also introduced an annual payment cap at 400,000 KWh over which the tariff drops to zero. The medium biomass banding was extended to boilers up to 199KWh in line with the GB scheme. The new non-domestic tariffs which only apply to applications received after 1 November 2015 are set out below.

New Biomass Tariffs for installations made on or after 18 November 2015	Tariff (p / KWh)	
	Small Biomass (<20KW)	Medium Biomass (20 - 199KW)
Tier 1 This applies to the initial heat generated for the first 1,314 hours in each 12 month period from either the accreditation date or the anniversary of the accreditation date.	6.8	6.5
Tier 2 This applies to further heat generated over that specified for 'Tier 1' up to a maximum of 400,000kWhth. Any further heat generated over 400,000kWhth is not eligible for RHI payments.	1.5	1.5

The legislation also introduced a tariff of 3.5 p/KWh for Combined Heat and Power (CHP) installations installed after 18 November 2015.

Other than annual inflationary adjustments, the tariffs in place when an application was submitted for the schemes were to remain the same through the 20 years of the non-domestic scheme and 7 years of the domestic scheme, with any revised tariffs only applying to subsequent applicants.

Annex B

Baroness Neville-Rolfe DBE CMG
Minister of State for Energy and Intellectual Property
Department for Business, Energy and Industrial Strategy
1 Victoria Street
London
SW1H 0ET

Xx November 2016

Dear,

Thank you for your letter of 4 November 2016 providing an update on reform of the Renewable Heat Incentive (RHI) schemes. I note the amendments proposed to the domestic and non-domestic schemes.

You may be aware that the Northern Ireland domestic and non-domestic RHI schemes were suspended on 29 February 2016 due to an unprecedented spike in demand and resulting in significant budgetary pressures.

A number of concerns about the RHI scheme were raised in a Northern Ireland Audit Office report and the Department is working through the issues highlighted. The immediate priority is to address cost control, value for money and governance issues. Affordability going forward is a key consideration and my officials are examining all possible options to address the current budgetary issues.

Subsequent to the suspension of the schemes, I commissioned an independent review of the operation of the scheme. As part of this review, around 300 RHI installations were visited and assessed for compliance with the scheme guidelines. A number of recommendations were made based on the evidence collected by the review team and my Department is actively implementing these recommendations.

I will write to you in due course to provide an update on any planned changes to the Northern Ireland Schemes going forward.

SIMON HAMILTON MLA