



Department for
Business, Energy
& Industrial Strategy

THE NON-DOMESTIC RENEWABLE HEAT INCENTIVE: FURTHER PROPOSED AMENDMENTS

Consultation

5 September 2017



THE NON-DOMESTIC RENEWABLE HEAT INCENTIVE: FURTHER PROPOSED AMENDMENTS

Consultation

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Any enquiries regarding this publication should be sent to rhi@beis.gov.uk.

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General information

Purpose of this consultation

Set out what Government is trying to achieve with the consultation and in particular whose views it is seeking.

Issued: 5 September 2017

Respond by: Responses to the proposals in chapter 2 are requested by 3 October 2017. All other responses are requested by 31 October 2017.

Enquiries to:

Renewable Heat Incentive

Department for Business, Energy & Industrial Strategy,

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London, SW1H 0ET

Email: rhi.consultations@beis.gov.uk

Consultation reference: The Non-domestic Renewable Heat Incentive: Further Proposed Amendments

Territorial extent:

This consultation relates to the Domestic and Non-Domestic Renewable Heat Incentive schemes which operate across England, Scotland and Wales. It does not relate to the separate Renewable Heat Incentive scheme for Northern Ireland.

How to respond

Your response will most useful it is framed in direct response to the questions posed, though further comments and evidence are also welcome.

We encourage respondents to make use of the online e-Consultation platform to respond to this consultation wherever possible and this is the Government's preferred method of receiving responses. This platform can be found at

<https://beisgovuk.citizenspace.com/heat/non-domestic-rhi-further-amends>

However, responses submitted in writing or by email to the postal and email addresses above will be accepted.

Additional copies:

You may make copies of this document without seeking permission. An electronic version can be found at <https://www.gov.uk/government/consultations/the-non-domestic-renewable-heat-incentive-further-proposed-amendments>.

Confidentiality and data protection

Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information legislation (primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004).

If you want information that you provide to be treated as confidential please say so clearly in writing when you send your response to the consultation. It would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded by us as a confidentiality request.

We will summarise all responses and place this summary on the [GOV.UK website](#). This summary will include a list of names or organisations that responded but not people's personal names, addresses or other contact details.

Quality assurance

This consultation has been carried out in accordance with the [Government's Consultation Principles](#).

If you have any complaints about the consultation process (as opposed to comments about the issues which are the subject of the consultation) please address them to:

Email: enquiries@beis.gov.uk

1. Introduction

The Renewable Heat Incentive (RHI) supports the deployment of renewable and low-carbon heating technologies. The scheme helps to bridge the gap between the cost of renewable heating systems and the conventional alternatives. The Non-domestic RHI opened in November 2011. It supports the installation of renewable and low-carbon heating by businesses, charities and the public sector, as well as systems supplying heat to more than one domestic property. The Domestic RHI, which provides support to individual households, opened in April 2014.

In November 2015, the Government renewed its commitment to the transition to a low carbon economy by confirming a continued budget for the RHI out to 2020/21.

In December 2016, the Government finalised a package of reforms to the RHI schemes, following a consultation from March – April 2016. More detail on the 2016 consultation proposals is available at: [The Renewable Heat Incentive: A reformed and refocused scheme](https://www.gov.uk/government/consultations/the-renewable-heat-incentive-a-reformed-and-refocused-scheme)¹ and the Government response, is available at: [RHI Reform - Response to consultation](https://www.gov.uk/government/consultations/the-renewable-heat-incentive-a-reformed-and-refocused-scheme).²

Overall, the reform package announced in December 2016 will improve the scheme to ensure it:

- focusses on long-term decarbonisation. The reforms promote deployment of the right technologies for the right uses, while ensuring the RHI contributes to both decarbonisation targets and to the UK's renewable energy target;
- offers better value for money and protects consumers. The reforms will improve how costs are controlled, give consumers more confidence in the performance of particular technologies, address potential loopholes in the scheme, and significantly improve the scheme's value for money; and

¹ <https://www.gov.uk/government/consultations/the-renewable-heat-incentive-a-reformed-and-refocused-scheme>

² <https://www.gov.uk/government/consultations/the-renewable-heat-incentive-a-reformed-and-refocused-scheme>

- supports supply chain growth and challenges the market to deliver. The reforms will drive cost reductions and innovation to help build growing markets that provide quality to consumers and are sustainable without Government support in future.

The Government still intends for the reform package announced in December 2016 to be put before Parliament. Through the reform package the Government will also introduce assignment of rights to the Domestic scheme, enabling a third party to pay for, and install, a heating system, and receive the RHI payment.

Additionally, the reform package will include changes to the eligibility rules relating to support for [biomass combined heat and power \(CHP\)](#) in the Non-domestic RHI. The Government consulted on the application of a power efficiency requirement for biomass-CHP plant in the Non-domestic RHI earlier this year. The Government intends to publish its response to the consultation on biomass-CHP alongside this consultation. It sets out that the Government intends to introduce a power efficiency requirement for biomass-CHP plant of 20%.

This consultation follows the commitment made in the Government's response to the 2016 consultation to undertake further detailed work on eligible heat uses and to consult on subsidy limits for very large plant. This consultation sets out the Government's proposals on both these issues, as well as on the eligibility rules where multiple installations are accredited at a single site to ensure continued value for money and robust budget management of the scheme.

Chapter 5 of this consultation asks a number of questions related to the process of registering biomethane producers on the RHI.

Chapter 6 of this consultation document also asks questions about a number of other cross-cutting issues: evidence requirements in relation to environmental permits, replacement plant and restricting the use of estimated metering data.

All the proposals in this consultation relate to the Non-domestic RHI scheme only.

Respondents should note that the deadline for responding to the questions raised in chapter 2 ('Eligible Heat Uses') is **3 October 2017** and that, subject to the content of responses received, the Government may make policy amendments on this issue ahead of its response to the proposals raised elsewhere in this consultation. This is because the Government previously asked for evidence on this point in its December 2016 response.

Responses on the remainder of the proposals contained in this consultation document should be returned by 31 October 2017.

Tariff Guarantees

The December 2016 Government response announced the introduction of tariff guarantees, as part of the package of reforms which Government is intending to put before Parliament in autumn 2017.

Tariff guarantees are intended to help larger, more cost-effective projects to come forward. They do so by providing applicants with greater certainty regarding their eventual tariff earlier in the project cycle. The [December 2016 Government response](#)³ gives further details of the tariff guarantee process.

Applicants who are granted a tariff guarantee will have certainty that the tariff they receive will not be affected by any reductions ('degressions') to the tariffs available which may take place between the time at which they are granted a tariff guarantee and the time at which they make a full application to the scheme in respect of their completed project.

However, tariff guarantees only provide certainty in relation to the tariffs that will be available to a particular project should it be accredited to the scheme. They do not offer a guarantee that a particular project will ultimately be eligible for the scheme, nor do they provide a guarantee that the eligibility requirements in place at the time the tariff guarantee application is made will remain unchanged. Full applications from plant with a tariff guarantee are still subject to the eligibility requirements of the scheme in place at the point when a full application is made. The scheme's eligibility rules or ongoing obligations may change between the award of a tariff guarantee and the point when a full application is made.

As such, all projects that have been granted a tariff guarantee, following their introduction, will be impacted by any changes made to the Non-domestic RHI Regulations, if changes are made before a full application to the scheme is submitted.

³ <https://www.gov.uk/government/consultations/the-renewable-heat-incentive-a-reformed-and-refocused-scheme>

Subject to the outcome of this consultation, this means that, where a plant with a tariff guarantee has yet to be submitted for accreditation to the Non-domestic RHI it will:

- be impacted by any changes to eligible heat uses if changes are made before a full application to the scheme is submitted;
- be impacted by any changes to annual heat production limits, should such a change be made before a full application to the scheme is made;
- be impacted by any change in the rules relating to the deployment of multiple installations on a single site, should such a change be made before a full application to the scheme is made;
- be impacted by changes to the biomethane registration process as proposed in Chapter 5; and
- be impacted by changes resulting from the questions on cross-cutting issues set out in Chapter 6, should such changes be made before a full application to the scheme is made.

This is because the changes proposed in this consultation determine only the extent to which participants are eligible for support under the relevant tariffs, and not the level of the tariffs themselves.

2. Eligible Heat Uses

2.1. Current policy on eligible heat uses

Under current scheme rules Non-domestic RHI payments can only be made in respect of heat used for eligible purposes. The specified eligible purposes are:

- heating a space, heating water, carrying out a process within a building; or
- carrying out commercial cleaning or drying processes outside of a building.

Carrying out a process within a building includes the use of heat to carry out a specific purpose such as industrial cooking, drying (including drying of wood and other biomass fuels), pasteurisation or chemicals manufacture. Carrying out a process outside of a building only includes the use of heat for cleaning and/or drying on a commercial basis.

When the scheme was launched in 2011, heat used outside of a building was not eligible for support. However, it became eligible for support in certain circumstances following the introduction of the RHI (Amendment) (No 2) Regulations 2013. This amendment was introduced after the consultation [Providing Certainty, Improving Performance](#)⁴ as part of a range of changes to the RHI scheme aimed at expanding deployment.

The RHI regulations also identify a number of ineligible heat uses where RHI payments cannot be made. These include:

- cooling generated by heat pumps run in reverse;
- using renewable heat to generate electricity;
- process internal heat (sometimes referred to as parasitic loads), i.e. heat that is subsequently used in the generation of heat, is normally not eligible for RHI support; and
- heat rejected from a system and not subsequently used for eligible purposes, or vented directly to the atmosphere.

⁴ <https://www.gov.uk/government/consultations/renewable-heat-incentive-providing-certainty-and-improving-performance>

The package of reforms announced in December 2016 announced the Government's intention to remove heat used to dry digestate as an eligible heat use. This change will come into force alongside the main package of RHI reforms later this year.

In addition, the RHI Regulations make clear that RHI participants must not generate heat for the predominant purpose of increasing their periodic support payments.

In the March 2016 RHI consultation [*The Renewable Heat Incentive: A reformed and refocused scheme*](#)⁵, the Government asked to hear from stakeholders as to whether there were any heat uses where RHI support was not appropriate.

In the Government response published in December 2016, the Government committed to further detailed work to assess whether wood fuel drying should remain as an eligible heat use on the Non-domestic RHI scheme. The Government also stated that it would consider the pros and cons of retaining aquaculture as an eligible heat use. This further work on wood-drying has led to wider questions about the rules governing eligible heat uses in the Non-domestic RHI. This consultation therefore asks for views on:

- whether all forms of drying should be removed as an eligible heat use. This includes wood fuel drying, crop drying, drying of material used for animal bedding, drying of animal feed and waste drying;
- whether aquaculture should be removed as an eligible heat use;
- whether support for certain kinds of swimming pools should be removed as an eligible heat use;
- whether to limit the proportion of heat a non-domestic installation may provide to a single domestic building; and
- whether applicants should be required to provide additional evidence to Ofgem to show that their proposed heat use displaces a carbon-based heating source and is to meet an economically justifiable heating requirement.

Respondents should note that the deadline for responding to the questions raised in chapter 2 ('Eligible Heat Uses') is **3 October 2017** and that, subject to the content of responses received, the Government may make policy amendments on this issue

⁵ <https://www.gov.uk/government/consultations/the-renewable-heat-incentive-a-reformed-and-refocused-scheme>

ahead of its response to the proposals raised elsewhere in this consultation. This is because the Government previously asked for evidence on this point in its December 2016 response.

2.2. Drying as an eligible heat use

A number of responses to the March 2016 RHI consultation [*The Renewable Heat Incentive: A reformed and refocused scheme*](#)⁶ questioned whether wood fuel drying should remain as an eligible heat use, due to concerns about the value for money of RHI support for this heat use. In response, the Government indicated that it intended to carry out additional detailed work to look at this issue further.

Since the publication of the consultation response, the Government has become concerned that the RHI may be supporting other drying practices that, without the scheme's support, might not be taking place to the same extent or, in some cases, at all. The Government is also concerned about inefficient drying practices that appear to be aimed mainly at maximising RHI payments. In particular the Government has questions about the value of RHI support for crop drying, drying of animal bedding, drying animal feed and drying waste.

These issues can and will be tackled via enforcement, with particular regard to the existing regulations that state that RHI participants must not generate heat for the predominant purpose of increasing their periodic support payments. However, the Government is concerned that continued RHI support for drying processes may not represent good value for money, nor contribute fully to the scheme's benefits. In addition, the Government is concerned about the reputational impact of allowing the practices outlined above to remain eligible for participation on the RHI scheme. For this reason the Government is seeking views on removing all forms of drying as an eligible heat use under the Non-domestic RHI. The Government recognises that this may impact on the ability of some genuine business operations to access support under the Non-domestic RHI, but it judges that the benefits of removing support for drying outweigh the negative effects of such a move.

⁶ <https://www.gov.uk/government/consultations/the-renewable-heat-incentive-a-reformed-and-refocused-scheme>

The Government has looked at alternative approaches that might address some of the bad practice described above whilst allowing drying to remain as an eligible heat use.

However, in practice, such half-measures are difficult to configure so as to address all of the issues in a way that ensures the policy intent is achieved in the future.

The Government would welcome evidence on this proposal, on the practices outlined below and on any other areas of concern to inform a decision about whether drying should be retained or removed as an eligible heat use. The Government would also welcome evidence of any drying practices that should continue to receive RHI support.

2.2.1. Wood fuel drying

The Government previously indicated that it would undertake further work to consider whether wood fuel drying should remain an eligible heat use in the Non-domestic RHI.

Concerns that some installations are deliberately adopting inefficient or excessive drying practices designed to maximise RHI payments were raised in response to the 2016 consultation. There were also concerns regarding installations claiming RHI payments for circular uses of heat, whereby heat is used to dry wood which is then used in the boiler to produce more heat for further fuel drying. Under the current scheme rules Ofgem permits a limited amount of wood fuel drying for use in the installation's own boiler, as long as circular drying is only a limited part of the heat use; the majority of heat produced should be used for other purposes such as the drying of wood for commercial sale or for other eligible heat uses. However, the Government considers that this approach may be susceptible to abuse and is resource-intensive to monitor and enforce.

There has also been a significant increase in the number of Non-domestic RHI installations citing drying of wood fuel as an eligible heat use since wood drying was included as an eligible heat use in 2013. This has raised questions as to whether these wood-drying operations would have existed in the absence of RHI support and whether they are in fact consistently displacing a carbon-based form of heating.

Furthermore, industry is reporting that RHI support for dried wood fuel is starting to cause over-supply, which is having a distortive impact on the market and impacting on wood fuel suppliers employing natural drying techniques.

2.2.2. Other forms of drying

In addition to wood fuel drying the Government is considering whether crop and grain drying should remain as eligible heat uses.

There is much less evidence of inefficient and uneconomical drying in these areas. However, the Government is concerned that similar practices may be taking place and wants to use this consultation to gather evidence on this point. This evidence will be used to decide whether these areas should remain as eligible heat uses under the RHI. In particular the Government is keen to understand whether there is a risk that inefficient drying practices may increase in these areas in the event that wood fuel drying is made ineligible for RHI support, but other forms of drying continue to receive RHI support.

There are also a number of other drying practices, including drying of animal bedding, drying animal feed and drying waste, where the Government has concerns about the value for money of RHI spend and whether this heat use is genuinely displacing a carbon-based form of heating. We would welcome evidence on this point.

2.3. Swimming pools

The Non-domestic RHI scheme provides support to indoor swimming pools only in limited circumstances. These circumstances include where there is a non-domestic use (for example a leisure centre) or where the pool is being heated alongside other buildings that are considered as separate premises for council tax reasons (for example, a mini-district heating scheme with a biomass boiler providing heat to several properties, which may include heating of an indoor pool).

The Government proposes to end support for heating swimming pools on the Non-domestic scheme where the swimming pool is within a domestic premises, as defined in Regulation 15(2)⁷ of the Renewable Heat Incentive Scheme Regulations 2011, or where the swimming pool is not used for a commercial purpose.

⁷ A domestic premises means a single, self-contained premises used wholly or mainly as a private residential dwelling where the fabric of the building has not been significantly adapted for non-residential use

Swimming pools open to the public (for example, at leisure centres, gyms, hospitals and health clubs) would still be eligible for support.

The Government proposes to make this change in order to be consistent with the Domestic RHI, where domestic swimming pools are not eligible for support. The Government is concerned that gaming is more likely to take place where swimming pools are located in domestic premises, for example overheating or continual heating of swimming pools in order to maximise RHI payments. Public swimming pools are likely to be subject to parameters such as specific hours of operation and commercial factors which should limit the amount of time and the temperature to which the water is heated.

The Government would welcome views on this proposal.

2.4. Aquaculture

The Government also has questions about whether some or all forms of heat used for aquaculture should remain as an eligible heat use under the scheme. To date there have been a very limited number of such projects applying to the RHI, however the Government is concerned about whether support for aquaculture projects represents value for money.

Evidence on this point is welcome.

2.5. Domestic heat uses

The Non-domestic scheme does not allow installations to be accredited where they are generating heat solely for the use of a single domestic property, but does allow installations where heat is being used for a single domestic property and a non-domestic heat use. The Government has some concerns that this provision has allowed some installations to accredit onto the Non-domestic RHI where the minority of the heat generated is being used for an eligible non-domestic purpose and the remainder is being used to heat a single domestic property. This is not in line with the policy intent.

While Ofgem may take enforcement action where it has cause to believe an installation has been configured solely to maximise RHI payments, the Government wants to strengthen the rules whereby an installation with a very low non-domestic heat demand can also supply a single domestic building in the Non-domestic RHI scheme. The

Government proposes that, in order to be eligible for the Non-domestic RHI, the majority of heat produced cannot be used to heat a single domestic property.

The Government proposes that the proportion of heat that can be used to heat a single domestic property should be no more than 30-50% of the total eligible metered heat produced in a single reporting year. This means that where an applicant anticipated that their non-domestic heat source would also be used to heat a single domestic property, they would be required, at the point of application, to inform Ofgem what the estimated heat demand would be for both the domestic and non-domestic purposes.

The Government would welcome views on this proposal, including the proportion of heat that should be allowed for heating a single domestic property through the Non-domestic RHI. The Government is also interested in views on how this ratio should be worked out and applied (for example, separate heat meters to measure the proportion of heat that is used for domestic or non-domestic purposes).

The Government proposes that where participants are operating in breach of this requirement, Ofgem will be able to take compliance action, including reducing payments to participants so that heat used for the non-domestic purpose, and above the threshold set, will not be subsidised.

Where a separate heating source is being used only for domestic purposes, the participant may separately apply to the Domestic RHI scheme. The Government anticipates that heat that is provided to multiple domestic properties by a single source will continue to be eligible under the Non-domestic scheme.

2.6. Manufactured heat uses

A number of responses to the March 2016 RHI consultation [*The Renewable Heat Incentive: A reformed and refocused scheme*](#)⁸ raised concerns that in some scenarios the RHI may be supporting heat uses that have been manufactured predominantly for the purpose of accrediting to the RHI.

⁸ <https://www.gov.uk/government/consultations/the-renewable-heat-incentive-a-reformed-and-refocused-scheme>

The RHI exists to bridge the gap between the cost of renewable heating systems and conventional alternatives. Supporting heat uses that would not exist without RHI payments, in effect creating a new heat use, does not offer good value for money and does not help the scheme achieve its objective of long-term decarbonisation. While changes proposed elsewhere in this chapter have been made to ensure that the RHI continues to offer good value for money in respect of its support of a number of specific heat uses, the Government is keen to ensure that the RHI as a whole only supports heat uses that are in line with the scheme's objectives.

Where Ofgem has reason to believe a heat use has been manufactured with the sole intent of maximising RHI payments it can and does seek evidence from applicants or participants to test whether the heat use is genuine. However, in parallel the Government proposes strengthening the rules and requirements in this area. The Government is therefore considering the introduction of a requirement that all owners of installations applying to the Non-domestic RHI should either:

- a) provide evidence that the installation of their renewable heating system is displacing a form of fossil fuel heating. Acceptable evidence would include utility bills that show the heat demand that is to be replaced; or
- b) where there is a new heat demand, provide a declaration that their proposed heat use is to meet an economically justifiable heating requirement that would otherwise have been met by an alternative form of heating. Where Ofgem requires evidence to support this declaration, this might take the form of evidence that a building is or will be occupied, such as a lease agreement. The Government also proposes introducing this requirement as an ongoing obligation.

This requirement will not apply to biomethane producers given the different ways in which biomethane producers register to the RHI scheme.

The Government would welcome views on how best applicants and participants might provide evidence to Ofgem that they are meeting an economically justifiable heating requirement that would otherwise have been met by an alternative form of heating. The Government is keen to strike the right balance between ensuring the scheme is supporting installations that are displacing what would otherwise be a fossil fuel heating requirement, while ensuring this requirement does not create an unnecessary barrier to those applying to the scheme.

2.7. Assessment of Impacts

An assessment of impacts for the changes to eligible heat uses proposed above is set out at Annex A.

2.8. Consultation Questions

Respondents should note that the deadline for responding to the questions raised in chapter 2 ('Eligible Heat Uses') is **3 October 2017** and that, subject to the content of responses received, the Government may make policy amendments on this issue ahead of its response to the proposals raised elsewhere in this consultation. This is because the Government previously asked for evidence on this point in its December 2016 response.

Consultation Questions	
1.	<p>a) Do you agree that all drying should be removed as an eligible heat use? Yes / No.</p> <p>b) Please provide any available evidence in support of your response. Questions on specific forms of drying are set out below.</p>
2.	<p>a) Do you agree that wood fuel drying should no longer be eligible for RHI support? Wood fuel means a fuel which is wood or wholly derived from wood and includes wood chips, briquettes, pellets and logs. Yes/No</p> <p>b) Please provide any available evidence in support of your response.</p>
3.	<p>a) Do you think that biomass drying should no longer be eligible for RHI support? Biomass means material, other than fossil fuel or peat, which is, or is derived directly or indirectly from, plant matter, animal matter, fungi or algae and also includes wood fuel as defined under question 2(a) above. Yes/No</p> <p>b) Please provide any available evidence in support of your response.</p>
4.	<p>a) Do you think that support for other forms of drying should no longer be eligible for RHI support? In particular:</p>

Consultation Questions

	<ul style="list-style-type: none"> <i>i.</i> crop/grain drying Yes/No <i>ii.</i> drying material for use as animal bedding Yes/No <i>iii.</i> drying material for use as animal feed Yes/No <i>iv.</i> any kind of waste drying. Yes/No <p>b) Please provide any available evidence in support of your responses.</p>
5.	<p>a) Do you agree that swimming pools used for domestic purposes (as defined in Regulation 15 of the Renewable Heat Incentive Scheme Regulations 2011), or where the swimming pool is not used for a commercial purpose should no longer be eligible for RHI support? Under this proposal swimming pools open to the public (for example, at leisure centres, gyms, hospitals and health clubs) would still be eligible for support. Yes/No</p> <p>b) Please provide any available evidence in support of your response.</p>
6.	<p>a) Do you think that heat used for aquaculture should no longer be eligible for RHI support? Yes/No</p> <p>b) Please provide any available evidence in support of your response.</p>
7.	<p>a) Do you agree that the Government should limit the proportion of heat that can be provided to a single domestic building by a single installation supported by Non-domestic RHI? Yes / No.</p> <p>b) Please provide any available evidence in support of your response including, where relevant, evidence of where this limit should be set (i.e. the proportion of heat that should be allowed to heat a single domestic property).</p>
8.	<p>a) Do you agree with the Government’s proposal that applicants to the RHI should be required to declare (and where requested by Ofgem, provide evidence) that proposed heat uses have a genuine and commercially viable purpose and/or provide evidence that the installation of their renewable heating system is displacing a form of fossil fuel heating? Yes/ No</p>

Consultation Questions

	b) If yes, do you have views on the type of evidence Ofgem should request?
9.	Are there any other issues you wish to raise related to eligible heat uses on the Non-domestic RHI?

3. Very Large Plant

3.1. Current policy on subsidy limits for very large plant

Currently, the Non-domestic RHI has no upper limit on the size of an individual installation or the amount of heat that can be subsidised either annually or over the lifetime of the 20 year tariff payments.

In the Government response to the 2016 consultation [*The Renewable Heat Incentive: A reformed and refocused scheme*](#)⁹ the Government announced the introduction of tariff guarantees together with an annual limit of 250GWh on the amount of heat that would be guaranteed payment per individual tariff guarantee application. The Government response also noted the Government's plans to consult on the option of introducing an annual heat production limit for each individual participant on the Non-domestic RHI. This would limit the amount of heat any individual installation would receive through the scheme. This consultation sets out the Government's proposals for annual heat production limits per installation and seeks views on these.

3.2. Proposals on RHI support for very large plant

The Government proposes to introduce an annual limit on the amount of heat/biomethane for which an individual accreditation can receive RHI payments. The Government proposes to implement this in the form of an annual heat/biomethane production limit of 250GWh per year for all eligible technologies. An installation with heat production above the annual limit would still be able to accredit to the Non-domestic RHI, but would only receive RHI payments for eligible heat up to the annual demand limit. This limit is aligned with the 250GWh annual limit on the amount of heat/biomethane for which a tariff can be guaranteed when tariff guarantees are introduced.

⁹ <https://www.gov.uk/government/consultations/the-renewable-heat-incentive-a-reformed-and-refocused-scheme>

3. Very Large Plant

Whilst the Government wants to encourage large plant to apply for the RHI, there is concern that very large plant could take a substantial part of the RHI budget, resulting in a significant reduction in available budget for smaller projects. Accreditation of very large plant could also lead to the premature triggering of the budget cap and the closure of both the Non-domestic and Domestic RHI schemes. This would be detrimental to the majority of the renewable heat industry and supply chain and prevent the Government from meeting its objectives.

The Government is also concerned about the risk of overcompensation and ensuring that the scheme offers value for money. Very large plant are expected to be bespoke engineered projects which benefit from site specific advantages, relatively cheaper access to project finance and a generally larger impact from economies of scale.

For these reasons the Government has already decided to introduce tariff guarantees together with a 250GWh annual limit so that the tariff guarantee will only guarantee tariffs for heat/biomethane produced up to this limit. This consultation is seeking views on applying this limit as an absolute limit so that RHI support is not paid above 250GWh heat production per year.

This proposed heat production limit would be implemented in a similar way to the heat demand limits on the Domestic scheme. Installations which produce levels of heat above the annual limit will still be able to accredit to the Non-domestic RHI, but they will only receive RHI payments for eligible heat up to the annual production limit.

The proposed heat production limit of 250GWh has been arrived at using deployment data and market intelligence, which shows that the proposed limit would have no effect on projects comparable to the largest of installations seen on the scheme to date. It is therefore not expected to affect the vast majority of new installations coming on to the scheme. Rather, it is designed as a backstop to protect the budget assigned to the RHI. The changes proposed in Chapter 4 will help to ensure that multiple installations on one site are not installed to circumvent this 250GWh limit. The Government is keen to hear views on any other action that is needed to ensure that the policy intent is achieved, for instance through giving Ofgem powers to reject installations servicing the same heat use or on the same site which appears to be split solely to avoid the 250GWh limit.

3. Very Large Plant

Alternative approaches to setting heat demand limits were also considered. These included introducing an absolute limit on the maximum capacity of an individual plant participating in the scheme or an annual financial limit on the amount of subsidy which could be received per plant. However, an annual heat production limit across technologies is consistent within current scheme rules, such as tiering of tariffs, and is also aligned with the heat production limits which will be introduced the Domestic RHI scheme as part of the package of reforms announced in December 2016.

3.3. Assessment of Impacts

An assessment of impacts resulting from this proposal is set out at Annex B.

3.4. Consultation Questions

Consultation Questions	
10.	a) Do you agree it is appropriate to limit the amount of subsidy which can be received by an individual accreditation registered on the Non-domestic RHI? Yes/No b) Please provide any available evidence in support of your response.
11.	a) Do you agree that the use of a heat production or biomethane injection limit is the best way to limit the amount of subsidy which can be received on the Non-domestic RHI? Yes/No b) Please provide any available evidence in support of your response.
12.	a) If 'Yes' to question 10, do you agree with the proposed heat/biomethane limit of 250GWh per annum? Yes/No b) Please provide any available evidence in support of your response.
13.	a) If 'Yes' to question 10, do you agree that it is appropriate to set the same limit

Consultation Questions

	<p>across all eligible technologies?</p> <p>Yes/No</p> <p>b) Please provide any available evidence in support of your response.</p>
14.	<p>a) If 'No' to question 10, what method would be more appropriate, and why?</p> <p>b) Please provide any available evidence in support of your response.</p>
15.	<p>a) Do you agree that Ofgem should be given discretion to address practices undertaken by installations to avoid being subject to the 250GWh limit?</p> <p>Yes/No</p> <p>b) Please provide any available evidence in support of your response.</p>
16.	<p>Are there any other issues you wish to raise with respect to Non-domestic RHI support for very large plant?</p>

4. Multiple Installations

4.1. Current policy on multiple installations

For a number of technologies supported by the RHI, tariffs are set on the basis of the size of the installed heating system. For example, in the case of both biogas and (at present) biomass, different tariffs are offered for small, medium and large installations. This policy is referred to as 'tariff banding', with each tariff, depending on whether the installation is small, medium or large, referred to as a 'tariff band'. Tariffs at each band are based on a number of factors including the economies of scale that can be attributed to each installation size. In practice that means larger installations attract a lower tariff due to economies of scale.

Currently, it is possible to accredit onto the RHI more than one renewable heating system on a single site, with each installation being separately accredited. Under this scenario, each installation is considered separately by Ofgem for the purpose of working out the tariff band and subsequent tariff that installation will attract for the metered heat it generates.

Evidence from the RHI evaluation and scheme data suggests that this practice exists. For example, the Government is aware of scenarios where a 1MW heat demand is being met by two separate 500kW biomass boiler installations rather than by one larger system. In some cases this may be a legitimate configuration of heating installations, for example where each installation is heating separate buildings. However, the Government is concerned that some scheme participants may be seeking to increase their tariff payments through separately accrediting multiple installations in order to have each installation accredited at the most advantageous tariff band.

Where evidence exists that plant have been configured in this way only for the purpose of increasing tariff payments, this issue can and will be tackled via enforcement action as the existing RHI regulations are clear that heat may not be generated for the predominant purpose of increasing RHI payments. Additionally, proposed changes to the biomass tariff

4. Multiple Installations

bands, confirmed in the [December 2016 Government response](#)¹⁰, will create a single biomass tariff, removing the incentive to install multiple small biomass boilers instead of a single larger biomass boiler. However, the changes to the biomass tariff structure announced in December 2016 will not impact biogas installations.

The Government is keen to ensure that biogas tariff structures do not incentivise some participants to install more than one heating system in order to attract the most beneficial tariffs.

Additionally, the Government has set out proposals to introduce a heat production limit that will impact very large plant (see Chapter 3). At present, this budgetary control could potentially be by-passed by very large plant being split into smaller plant on the same site that are each separately accredited to the RHI.

4.2. Proposals on multiple installations

The Government therefore proposes that for new applications to the Non-domestic RHI, tariffs should be worked out on the basis of the total capacity for each technology at a single site (the proposals in this chapter do not apply to biomethane producers. Separate proposals in relation to biomethane are set out in chapter 5). For example, if three medium biogas plant are installed at a single site, each with capacity of 250kWth, it is currently possible that each of these three plant would be eligible for the medium biogas tariff. Under the proposals set out here, Ofgem will consider these plant to be a single installation of 750kWth and, subject to the eligibility criteria being met, will accredit the plant as a large biogas installation.

The Government proposes that, for the purposes of defining what constitutes a 'single site', Ofgem should take into account such factors as:

- whether the plant have common or shared ownership;
- whether the plant have a common or shared purpose;
- whether the plant have a common or shared location or planning permission; and

¹⁰ <https://www.gov.uk/government/consultations/the-renewable-heat-incentive-a-reformed-and-refocused-scheme>

4. Multiple Installations

- whether there is common or shared equipment.

4.2.1. Additional Capacity & Multiple Installations Proposals

Where an application is made to install a new plant at a site with an existing RHI-accredited plant of the same technology type, the new plant will be considered as an addition of capacity to the existing site and the additional capacity rules will be applied even where the new installation is not hydraulically connected to the existing plant. The Government proposes that this policy on multiple installations will be applied to all new applications for additional capacity, regardless of when the original plant was accredited. Where an application is made to add a new plant to a site that already has more than one accredited RHI installation, the applicant will be able to indicate to Ofgem which of the existing accredited plant the additional capacity should be applied to.

An illustration is provided below of how the additional capacity rules would be applied.

Example 1

An existing participant has a single 150kWth biogas boiler that attracts the small biomass tariff. Within 12 months of commissioning, they apply to accredit a second, separate 150kWth biogas installation at the same site. This will bring the total capacity at site to 300kWth.

The revised additional tariff for the original installation will be that which was in place at the date of accreditation of the original installation and was applicable to the **combined** capacity of the original and additional RHI installation.

In this example, after the additional 150kWth capacity is added, the original installation would receive the medium biogas tariff in place at the date of its accreditation (based on the 300kWth capacity).

The applicable tariff for the second installation, which will be treated as additional capacity, will be the tariff applicable based on the combined (300kWth) capacity on the additional capacity's date of accreditation.

Example 2

An existing participant has a single 150kWth biogas installation (commissioned before 4 December 2013). It attracts the small biogas tariff. More than 12 months after installing this plant, the participant applies to Ofgem to accredit a separate 80kWth plant at the same site. This brings the total capacity at site to 230kWth.

[continued]

Treating the second plant as additional capacity means:

- The **original** accredited installation will continue to receive the same tariff. In this case, the applicable tariff is the small biogas tariff.
- The **additional** RHI capacity (the 80kWth plant) will attract a tariff based on the combined capacity of the original and additional capacity. In this example, the total capacity is 230kWth, which is within the medium biogas tariff band. Therefore, the new plant will receive the medium biogas tariff that is applicable on the date of accreditation of the new plant.

4.3. Assessment of Impacts

We have not prepared an assessment of impacts for the changes to multiple installations proposed above. The deployment of multiple installations at a single site, configured to maximise RHI payments is not an intended policy outcome and therefore has not previously been included in assessment of the costs and benefits of the scheme.

4.4 Consultation Questions

Consultation Questions

- | | |
|-----|---|
| 17. | <p>a) Do you agree it is appropriate to calculate capacity on the basis of all plant of the same technology installed at a single site, with new plant considered as additional capacity? Yes/No</p> <p>b) Do you envisage any challenges or issues that may be created by calculating capacity on the basis of all plant of the same technology installed at a single site? Yes/No</p> <p>c) Please provide any available evidence in support of your response, including evidence of where it might be appropriate to allow multiple plant to be separately accredited.</p> |
|-----|---|

Consultation Questions

18.	a) Do you agree with the proposals on how a 'single site' should be defined? Yes/No b) Please provide any available evidence in support of your response.
19.	a) Do you agree that the proposed policy on multiple installations should be applied to all new applications for additional capacity, regardless of when the original plant was accredited? Yes/No b) Please provide any available evidence in support of your response.
20.	Are there any other issues you wish to raise with respect to the Non-domestic RHI approach to the installation of multiple plant at a single site?

5. Registering to inject biomethane

5.1 Current policy on registering to inject biomethane

Biomethane has an important role both now and in the longer term, in decarbonising heat and the gas grid, reducing greenhouse gas emissions from waste and agriculture, and supporting jobs in rural areas. The Government has been encouraging growth in deployment for biomethane in the Non-Domestic RHI scheme.

When RHI support for biomethane facilities was introduced, there were very few producers of biomethane injecting gas into the grid. However, deployment has increased rapidly and injection of biomethane into the gas grid in Great Britain has been labelled recently as the fastest growing biomethane sector in the world. This has led to a flourishing industry that is actively reducing the GHG emissions of gas on the grid. The feedstock requirements announced as part of the December 2016 Government Response will further ensure that the carbon abatement delivered by the biomethane sector will be cost-effective.

However, the Government is aware some practices are taking place within the industry that may result in producers of biomethane receiving a greater level of RHI subsidy than was originally intended. Ofgem can and will take action where practices are outside of the RHI rules, however this consultation proposes a number of measures to clarify the RHI policy intent.

The RHI intends to incentivise the construction and operation of new biogas generating plants and the ancillary equipment needed to safely inject biomethane into the gas grid.

Under the 2011 RHI regulations, biomethane producers may register for the RHI once they have injected biomethane. There is no requirement that the registered biomethane producer has also produced the biogas. This means that biomethane producers are able to register before they have developed the capacity to produce biogas, purchasing the biogas used for initial injection from a third party.

The policy intent behind allowing this practice was to cater for biomethane producers who would find it impractical to be co-located with a grid-injection point.

5. Registering to inject biomethane

Although this approach has allowed innovation and flexibility as the market has developed to produce more biomethane, it has created two risks that the Government is keen to address.

1. Staggered commissioning

As set out above, biomethane producers may register to the RHI once biomethane has been injected. The biogas used does not have to be produced on site, and there is no requirement that their biogas production facilities should be fully commissioned. Evidence from Ofgem and industry suggests that the practice of importing biogas or biomethane from an external source in order to register on the RHI is taking place.

This practice has a number of negative impacts. The Government believes that this approach is typically used by developers in order to reduce the risk of tariff depression occurring while the installation in question is being built. This undermines the depression mechanism which acts to reduce tariffs as deployment grows. Additionally, allowing registrations without increasing levels of production may restrict the ability for future biomethane developers to access the RHI.

The planned introduction of tariff guarantees, where a tariff can be secured before a plant is commissioned or started injection, will largely remove the benefits of staggered commissioning. However, as tariff guarantees are tied to expected commissioning or injection dates specified by the applicant, and will only be valid to the end of 2019, there may still be an incentive for producers of biomethane to inject an initially small volume of gas in order to register before the expected commissioning date stated at the point of application.

2. Maximising tier 1 payments

The Government has also seen some evidence that suggests that biogas produced at a single site is being used to produce biomethane that is injected into the grid via a number of separate RHI registrations (these schemes may have shared physical equipment or common ownership). This means that each scheme will to inject up to the tier 1 tariff ceiling before ceasing further injection and proceeding to inject at a separately registered site, also up to the tier 1 tariff ceiling. The policy intent is not for tiering to encourage this practice.

5.2 Proposals on registering to inject biomethane

The Government wishes to maintain close control of the RHI budget and ensure that the RHI provides good value for money.

In light of the above risks, the government is considering a number of changes to the RHI regulations in order to deliver the policy intent.

Staggered commissioning

The Government is considering two options to prevent third party gas being used for the purpose of registration only:

- (1) Introducing a requirement that in order to register on the RHI, biomethane producers should specify the intended biogas production plant and confirm that it has been commissioned. This will require the biogas production plant to be commissioned before the biomethane producer is able to make a full application to register on the RHI.
- (2) Disallowing the use of third party gas for RHI registration. This would require the applicant to finalise the main biogas production plant before RHI support is sought.

The Government welcomes views on these options, as well as any further views on managing the risks created by staggered commissioning.

Maximising tier 1 payments

As set out above, the Government is also concerned that some current practices are leading to over-compensation. The Government would therefore welcome views on the following options:

- (a) preventing biomethane producers receiving RHI support where the physical equipment used to produce or upgrade biogas is being used by another RHI registered biomethane producer.

This would remove scenarios where, for example, one anaerobic digestion site is used by several companies (including where the companies have shared ownership) that each inject biomethane at the same injection point up to the Tier 1 limit. It would also remove the scenario where one site is used to produce biomethane that is injected into several different grid entry units in order to facilitate registration on to the RHI.

5. Registering to inject biomethane

(b) permitting the use of shared anaerobic digestion and/or upgrading facilities but calculating the tariff payable (including the appropriate tier) on the basis of the total biomethane or biogas produced and/or upgraded at a single site.

This would mean that where biogas production or upgrading facilities are being used to produce biomethane that can be injected at more than one point (or at the same point by multiple RHI registrants), only the biogas used to inject the first 40,000 MWh of biomethane will be eligible for the tier 1 payment. Where the biomethane is injected by more than one party, the tier one payment would be aggregated (i.e., the proportion of tier 1 payment would be split between operators in line with the proportion of biomethane they had each injected).

The Government also welcomes views on alternative arrangements that would prevent the type of overcompensation described. In particular, it welcomes views as to whether tariff payments could also be calculated on the basis of either (i) the total volume of biomethane injected at a single grid entry unit, including where the injection is split across multiple RHI participants or (ii) the total volume of biomethane injected at a single site (i.e. where a single site contains more than one grid entry unit), or (iii) the total volume of biomethane feeding a “virtual pipeline” (for example, where gas is being transported via lorry to the injection site).

The Government also welcomes views as to whether the definition of a site should likely include locations where common equipment is used in the biomethane production process (for example, a shared AD plant, shared upgrade plant, etc.).

Planning Permission

The Government also proposes that if a requirement to register the biogas production/upgrading facilities is introduced, that it will introduce an explicit requirement that planning permission is held for the facilities responsible for the production and upgrading of biogas and the injection of biomethane. The government proposes that valid planning permission becomes an ongoing obligation for continued participation in and payment under the scheme.

5.3. Consultation Questions

Consultation Questions	
21.	<p>a) Do you agree the government should take steps to restrict two-stage commissioning? Yes/No</p> <p>b) Please provide any available evidence in support of your response, including evidence of any scenarios where it might be appropriate for producers of biomethane to initially inject imported gas.</p>
22.	<p>a) Will restricting the third party provision of biogas / biomethane have an adverse impact on increasing grid / network efficiency and capacity? Yes/No</p> <p>b) Please provide any available evidence in support of your response, including evidence of any scenarios where it might be appropriate for producers of biomethane to ramp up injection over a long period of time.</p>
23.	<p>a) Do you think the government should introduce any further or different measures to reduce the impact of two-stage commissioning? Yes/No</p> <p>b) Please provide any available evidence in support of your response.</p>
24.	<p>a) Do you agree that biomethane producers should be required to register the biogas production and/or upgrading facilities they intend to use? Yes/No</p> <p>b) Please provide any available evidence in support of your response.</p>
25.	<p>a) Do you agree that, if the government were to require biogas production/upgrading facilities to be registered as part of a biomethane producer's registration, the government should require as a condition of initial and ongoing registration that valid planning permission is held? Yes/No</p> <p>b) Please provide any available evidence in support of your response.</p>
26.	<p>a) Do you agree that, if the government were to require biogas</p>

Consultation Questions

	<p>production/upgrading facilities to be registered as part of a biomethane producer’s registration, that biomethane production should be eligible for support where the equipment used to produce and/or upgrade the biogas is used by a separate RHI registered biomethane producer? Yes/No</p> <p>b) Please provide any available evidence in support of your response.</p>
<p>27.</p>	<p>a) Do you agree that, if the government were to require biogas production/upgrading facilities to be registered as part of a biomethane producer’s registration that the tariff should be based on the total volume of biomethane injected using biogas produced/upgraded at a single registered site? Yes/No</p> <p>b) Please provide any available evidence in support of your response.</p>
<p>28.</p>	<p>a) Do you agree that RHI tariffs should be calculated on the basis of the total volume of biomethane injected at a single grid entry unit (including where the injection is split across multiple RHI participants)? Yes/No</p> <p>b) Please provide any available evidence in support of your response.</p>
<p>29.</p>	<p>a) Do you agree that RHI tariffs should be calculated on the basis of the total volume of biomethane injected at a single site (i.e. where a single site contains more than one grid entry unit)? Yes/No</p> <p>b) The government proposes considering a single site to be where common equipment is used in the biomethane production process (for example, a shared AD plant, shared upgrade plant). Do you agree with this definition? Yes/No</p> <p>c) Please provide any available evidence in support of your response including, where relevant, alternative definitions of a ‘single site’.</p>
<p>30.</p>	<p>The government would welcome any alternative proposals on addressing the concerns set out in this chapter. If you have any alternative proposals, please set these out here.</p>

Consultation Questions

31.	a) Do you consider that there will be any adverse consequences should the government implement these proposals? Yes/No b) Please provide evidence in support of your response.
32.	Are there any other issues you wish to raise related to the registration of biomethane producers?

6. Other cross cutting issues

6.1 Environmental permitting

6.1.1 Current policy on environmental permits

The Government has always been clear that RHI participants should comply with any relevant environmental permitting legislation. The Government is concerned however that RHI participants may be able to claim RHI payments without holding the necessary environmental permits.

6.1.2 Proposals on environmental permits

The Government intends that all new plant, as well as additional capacity added to existing plant, should be required to have any necessary environmental permits in place in order to be eligible for support through the Non-domestic RHI. This will also be an ongoing obligation for installation owners for the lifetime of their participation in the scheme. This means that where environmental permits are withdrawn or revoked, Ofgem, as the scheme administrator, will be able to take appropriate action in the form of suspending, withholding or recovering payments.

This requirement will ensure that plant operated unlawfully, without the necessary environmental permits, are not supported by the RHI, safeguarding the proper use of public funds. Applicants will be required to make a declaration on application for accreditation or registration that the necessary environmental permits have either been granted or that no permits are required.

Subject to the outcome of this consultation, these changes to environmental permitting requirements will come into effect in respect of all plant accredited on or after the date on which a change is made to the RHI Regulations. However, the intent of the RHI scheme continues to be that all plant, regardless of commissioning date, should comply with any environmental permitting requirements. Where Ofgem identifies that a plant does not have the correct environmental permits it may refer the matter to the relevant enforcement authority.

6.2 Replacing plant

6.2.1 Current policy on replacing RHI plant

The Non-domestic RHI regulations do not, in most scenarios, allow participants to replace plant within their current accreditation. This means that, where, for example, a biomass boiler breaks down, participants are required to reapply for the RHI when they replace the broken boiler. The new application, if approved, receives the prevailing tariff at the date at which it is submitted to Ofgem.

For participants who wish to replace their plant, this often means a choice between accepting a lower tariff or reverting to fossil fuel use. Looking further ahead, if the RHI were closed to new applications, it would mean that current participants would have no way of accrediting a new plant if their current plant needed to be replaced.

There are additional complications specific to different technologies. For example, where a ground source heat pump stops working, in most instances a replacement heat pump cannot be accepted onto the scheme where it will be connected to the existing ground loop, given the requirement that the ground loop is also new.

6.2.2 Proposed changes to replacement plant policy

The Government therefore proposes introducing an amendment to the Non-domestic RHI regulations so that where participants need to replace their plant they will be able to do so and remain on the same tariff for the remainder of their participation on the scheme. The Government proposes that this will be through a process of informing Ofgem, so long as the replacement plant is a new like-for-like replacement of the original. The Government proposes that 'like-for-like' in this context should refer to the technology type and capacity.

The Government proposes that where a plant is being replaced, the new plant will be required to meet the current accreditation criteria, including eligible heat use criteria. For example, replacement biomass boilers will be required to meet the air quality requirements in place at the time the new boiler commissions, including where the original boiler was accredited before air quality requirements were introduced to the Non-domestic RHI.

Making this change will align the Non-domestic scheme to the Domestic scheme, where participants may replace plant within their current accreditation.

6.3 Changes to Estimated Data

6.3.1 Current policy on estimated data

The Non-domestic RHI pays participants on heat used for eligible purposes. Heat uses are typically metered and submissions for payment made to Ofgem on a quarterly basis.

There is currently a provision within the RHI regulations for estimated data to be used in exceptional circumstances when meter readings cannot be provided.

As the scheme matures and the portfolio of installations supported by the scheme grows, the number of data submissions and the value of payments will also increase. Allowing the provision of estimated data within the regulations therefore carries the risk that estimated data submitted does not accurately reflect the amount of heat generated. Whilst efforts are taken to ensure estimates are as accurate as possible there is still a risk of over-compensation which does not provide value for money.

6.3.2 Proposed changes to estimated data policy

Although there will continue to be exceptional circumstances where the provision of estimated data will be appropriate, it is the responsibility of participants to ensure that they are accurately metering the heat they generate. The Government therefore proposes amending the RHI Regulations so that estimated data may not be submitted where it will lead to a revision to payments that have already been made. The Government also proposes that estimated data may be used to claim support under the RHI for a maximum of 2 years per installation over the 20 year tariff period. This change will reduce both the financial risk to Government and reduce the administrative burden on Ofgem.

6.4. Assessment of Impacts

For the purposes of the Impact Assessment published alongside our wider reform proposals, we assumed that installations will be used for the 20 year lifetime of the scheme and that accurate meter readings will be provided. Similarly, it is our expectation

6. Other cross cutting issues

that participants are fully compliant with any environmental permitting requirements. These policy changes have been proposed to ensure that the policy intent is realised and we do not anticipate that it will materially impact the cost benefit analysis previously set out for the scheme.

6.5. Consultation Questions

Consultation Questions	
33.	<p>a) Do you agree that is appropriate to require RHI participants to provide evidence to Ofgem that they hold any necessary environmental permits? Yes/No</p> <p>b) Please provide any available evidence in support of your response.</p>
34.	<p>a) Do you agree that the Government should allow participants to replace broken plant with new like-for-like replacements? Yes/No</p> <p>b) Should a variance in the capacity of the replacement plant in comparison to the capacity of the original plant be allowed? Yes/No</p> <p>c) If yes, what should the limit of this variance be (e.g. 5% variance?)</p> <p>d) Please provide any available evidence in support of your response.</p>
35.	<p>a) Do you agree that the Government should limit the estimated meter reading provisions to apply only to future payments (i.e. payments that have not already been made)? Yes/No</p> <p>b) Do you agree that estimated data should only be used to claim support under the RHI for a maximum of 2 years per installation? Yes/No</p> <p>c) Please provide any available evidence in support of your response.</p>
36.	<p>Are there any other issues you wish to raise in relations to the cross-cutting issues set out above?</p>
37.	<p>Does your interest in the RHI relate to the operation of the scheme in a particular geographical area? (please tick all that apply)</p>

Consultation Questions

a) England

b) Wales

c) Scotland

Responses which indicate that the respondent's interest relates mainly to the operation of the scheme in Scotland or Wales will be shared with the Scottish or Welsh devolved authorities respectively, unless such respondents explicitly state that they do not wish for their response to be shared.

38.

Does your response apply to a specific Non-domestic RHI technology? (please select all that apply)

a) Biomass

b) Biomass CHP

c) Biogas

d) Biomethane injection

e) Air, water or ground source heat pumps

f) Solar thermal

g) Deep geothermal

Annex A. Assessment of Impacts for Eligible Heat Uses

This publication does not change the Government's overall assessment of the likely cost and benefits of the RHI. This assessment of impacts should be seen as independent of the [*December 2016 Final Stage Impact Assessment*](#)¹¹ which accompanied the Government response to the March 2016 consultation¹². This assessment of impacts has been produced in order to estimate the order of magnitude of impacts of the eligible heat use proposals, but does not address the interdependencies of the scheme as a whole resulting from, for example, scheme wide budget management mechanisms.

There is limited evidence on the total amount of heat generated specifically for the purposes outlined in section two, or how central that heat is to individual plants' business cases. It is therefore difficult to make an accurate assessment of likely impacts. Furthermore, heat uses are often mixed and projects are likely to look for different heat uses in the absence of support for some or all of the areas outlined above.

Removing support for wood fuel drying may reduce the total number of installations coming onto the scheme. Scheme deployment data, based on applicant self-reporting of heat uses to Ofgem, suggests that ending support for wood fuel drying is most likely to affect biogas, biomass, and biomass-CHP installations. These are the technologies that most commonly cite wood fuel drying as part or all of their eligible heat uses. The number of installations citing other forms of drying discussed in this consultation is less frequent.

There is currently only limited evidence on possible deployment of swimming pools for domestic purposes on the Non-domestic RHI or heat used for aquaculture projects. The Government believes that any changes to these heat uses will have minimal impacts on overall deployment.

¹¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/577026/RHI_Reform_Govt_Response_Impact_Assessment_FINAL.pdf

¹² <https://www.gov.uk/government/consultations/the-renewable-heat-incentive-a-reformed-and-refocused-scheme>

Assessing the change in deployment likely to result from these proposals is difficult as it involves comparing two hypothetical project pipelines over a four year period. In order to make an order of magnitude assessment of the impact of the proposals, the Government has taken a view as to the likely change in the total affected market over the 2017/18 to 2020/21 period.

In total, the Government believes the proposed change could mean lower total deployment in the order of 15% of the anticipated biomass pipeline. At the proposed tariffs, the lower deployment would result in lower scheme spend of around £10m (nominal) in 2020/21. The table below sets out the resulting change in the scheme's costs and benefits.

Potential downward pressure on deployment of a restriction on eligible heat uses

2020/21 spend [Nominal]	Renewable Heat Use	Carbon Budget 4 (2023-27)	NPV*
- £10m	- 0.5TWh	- 0.4 MtCO ₂ e	- £25 m

Overall, this downward pressure on deployment falls within the deployment sensitivities presented in the recent [Final Stage Impact Assessment](#)¹³, which presented a spend range of +£190m/-£215m resulting in lower carbon abatement over CB4 of +2.7/-4.8 MtCO₂e.

¹³https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/577026/RHI_Reform_Govt_Response_Impact_Assessment_FINAL.pdf

Annex B. Assessment of Impacts for Very Large Plant

The proposal set out in this consultation to introduce an annual 250GWh limit on heat/biomethane supported under the Renewable Heat Incentive does not change the Government's overall assessment of the likely cost and benefits of the RHI as set out in the [December 2016 Final Stage Impact Assessment](#)¹⁴ which accompanied the Government response to the consultation [The Renewable Heat Incentive: A reformed and refocused scheme](#)¹⁵.

The proposed 250GWh limit has been set at a level which would not impact on any plant that have already accredited to the Non-domestic RHI scheme. In the deployment estimates for the recent Impact Assessment, there was no assumed plant generating at a level of heat above the proposed limit (see the Final Stage Impact Assessment for further information). This assumption is derived from a combination of market intelligence and underlying commercial drivers regarding the riskiness of investments for very large heat off-take. For these reasons there is no impact on either anticipated potential applicants or scheme costs and benefits. This measure is intended to clarify more precisely the rules of the scheme and avoid any scope for misinterpretation or unintended consequences.

Heat production will differ from installation to installation and the limit will provide a reasonable degree of flexibility to applicants to determine the size and heat load factor of their plant. For example, an annual heat production limit of 250GWh approximately equates to:

- an installation of 57MWth, if running flat out for 50% of all hours in a year;
- an installation of 33MWth, if running flat out for 85% of all hours in a year; or
- an injection to the grid of biomethane in excess of 3,000Nm³/hr, for a plant injecting for 90% of all hours in a year.

These installation sizes represent generation above anything that is currently on the RHI.

¹⁴https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/577026/RHI_Reform_Govt_Response_Impact_Assessment_FINAL.pdf

¹⁵<https://www.gov.uk/government/consultations/the-renewable-heat-incentive-a-reformed-and-refocused-scheme>