

**EXPLANATORY MEMORANDUM TO
THE DOMESTIC RENEWABLE HEAT INCENTIVE SCHEME (AMENDMENT)
REGULATIONS 2015**

2015 No. xxxx

1. This explanatory memorandum has been prepared by the Department of Energy and Climate Change (DECC) and is laid before Parliament by Command of Her Majesty. These Regulations are being laid alongside two other Statutory Instruments; these are the Renewable Heat Incentive Scheme (Amendment) regulations 2015, and the Renewable Heat Incentive Scheme and Domestic Renewable Heat Scheme Incentive (Amendment) regulations 2015, both of which are accompanied by separate explanatory memoranda.

2. Purpose of the instrument

2.1. This instrument amends the Domestic Renewable Heat Incentive Scheme Regulations 2014 (S.I. 2014/928) in order to improve the scheme established by those regulations (“the Domestic RHI scheme”) and to make amendments to ensure that the regulations deliver the original policy intent.

2.2. The changes introduced by these amendments are:

- Green Deal Assessments for Social Landlords (SLs) – Removal of the requirement for SLs to complete a Green Deal Assessment in order to be eligible for accreditation under the Domestic RHI scheme.
- Inclusion of additional technologies – Introducing two new eligible technologies; cooker stoves and high temperature heat pumps.
- ‘Related property’ – An amendment is being made to ensure it is clear that heating systems that provide heating to a domestic dwelling and related properties (e.g. shed, garage) are eligible to apply for the scheme but only the heat demand for the domestic dwelling will be eligible for payment.
- Updating of the Microgeneration Certification Scheme (MCS) standards – Following amendments to the MCS standards it has been necessary to update the references to the standards in the regulations.
- Degression correction – An amendment is being made to ensure those participants that have previously received grant funding to install their renewable heating system and are subject to adjusted payments are being counted in degression calculations correctly.
- Minor amendments – In respect of the term “certified installer” and reference to the solar thermal standards.

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1. None

4. Legislative Context

- 4.1. The Secretary of State makes this instrument in exercise of powers conferred by section 100 and 104 of the Energy Act 2008 (c. 32) (“the Act”).
- 4.2. The Domestic RHI scheme was introduced to facilitate and encourage the renewable generation of heat within domestic dwellings by giving subsidy payments to eligible generators of renewable heat. The Domestic RHI scheme regulations came into force on 9th April 2014.
- 4.3. An equivalent scheme established by the Renewable Heat Incentive Scheme Regulations 2011 (S.I. 2011/2860) provides subsidy payments for the generation of renewable heat in the non-domestic sector (industrial, commercial, public sector and not-for-profit) and producers of biomethane injected into the gas grid.
- 4.4. The technical standards contained within the amendments are being notified to the European Commission as a fiscal measure under the Technical Standards Directive and do not require a standstill period.

5. Territorial Extent

- 5.1. This instrument extends to Great Britain.
- 5.2. In accordance with section 100(7) of the Act, the Secretary of State has obtained the consent of the Scottish Ministers to the making of these Regulations.

6. European Convention on Human Rights

- 6.1. Amber Rudd, Under Secretary of State for the Department of Energy and Climate Change, has made the following statement regarding Human Rights:

In my view the provisions of the Domestic Renewable Heat Incentive Scheme (Amendment) Regulations 2015 are compatible with the Convention rights.

7. Policy background

- 7.1. The Domestic RHI scheme was introduced primarily to help meet the UK’s target under Directive 2009/28/EC (the “Renewables Directive”) that 15% of energy consumption is to come from renewable sources by 2020. The UK intends that renewable heat will make a significant contribution to its overall energy target. The Domestic RHI scheme is in line with the Government’s longer-term energy and climate change goals. It provides a long-term tariff and the scheme opened for domestic applications on 9th April 2014.
- 7.2. Green Deal Assessment (GDA) for Social Landlord (SLs)
When the Domestic RHI was introduced in April 2014 it was a requirement of the scheme that a GDA needed to be carried out on all properties in which it was planned to install a renewable heating technology and the owner wished to claim the RHI.

The policy intent for requiring a GDA was to ensure that home owners were aware of other ways they can make their properties more energy efficient, beyond the minimum of loft and cavity wall insulation (where appropriate) required to be eligible for the RHI.

7.3. However, SLs tend to be well informed about their properties and are often already engaged in energy efficiency measures to help reduce their tenants' bills. Therefore the requirement for a GDA was an unnecessary additional cost that has been acting as a barrier to uptake by SLs.

7.4. Instead SLs must provide an Energy Performance Certificate (EPC) that is less than two years old in order to be eligible for the Domestic RHI scheme. This will ensure that the minimum energy efficiency requirements have still been met and be used to calculate payments.

7.5. Inclusion of additional technologies

Two extra technologies are being added to the list of eligible technologies for the Domestic RHI. These technologies are;

- Cooker Stoves – This technology (a type of biomass stove) is being made eligible for the Domestic RHI scheme if the cooker stoves' primary function is to provide space heating and hot water. Any heat used for cooking must be incidental and must not be able to be controlled separately from the main heating function of the stove. This does not change our policy on range cookers; stoves which have a primary function of providing heat for cooking remain ineligible for the Domestic RHI scheme.
- High Temperature Heat Pumps – These heat pumps are able to operate at temperatures up to 80°C, and may be suitable where it is not appropriate to change radiators or install under-floor heating. These heat pumps will still need to meet all other requirements of the scheme including the minimum energy efficiency levels.

7.6. These technologies are within the original policy intent of the Domestic RHI scheme. Cooker stoves are a type of biomass stove but in the original regulations fell within the drafting designed to exclude range cookers. High temperature heat pumps were not previously able to be tested to demonstrate that they could meet the minimum energy efficiency requirements of the scheme. The update to the MCS standards and Heat Emitter Guide enables installers to demonstrate that the heat pump meets these requirements and we therefore consider that high temperature heat pumps should be eligible for the Domestic RHI scheme.

7.7. Introduction of definition 'related property'

We are introducing the definition 'related property' to provide clarity in the regulations. The use of this term makes it clear that a heating system that is providing

heat to a single domestic dwelling and its related properties will be eligible for the Domestic RHI scheme.

7.8. Examples of what would be considered a related property are;

- A dwelling plus a swimming pool in an annex
- A dwelling plus a garage or outbuilding
- A dwelling plus a shed
- A dwelling plus a commercially used building e.g. an office annex or stables

7.9. The introduction of the term 'related property' does not change the fact that payments will only be made against the heat demand of the single domestic dwelling not the related properties. This heat demand will be based on that which is identified on the EPC for the eligible domestic property.

7.10. In the case of a related property that has a commercial use the system may be eligible for the non-domestic RHI scheme. It will be the decision of the owner which scheme is most suitable for them.

7.11. This does not change our policy on district or community heating systems. These systems, where heat is being provided to more than one domestic dwelling, are not eligible for the domestic RHI but remain eligible under the non-domestic RHI scheme.

7.12. Updating of Microgeneration Certification Scheme (MCS) standards

The use of MCS standards is a key part of the Domestic RHI scheme, we use these standards to provide assurance to the consumers that both the installer and the installation meet clear standards of competence.

7.13. MCS Standards Management Group regularly reviews their standards to ensure they are reflecting the most recent changes in the market and to improve the standards over time. MCS will require MCS certified installers to meet these new standards. These regulations will introduce the new standards for solar thermal and heat pump installations, specified by the latest MCS standard updates, into the domestic RHI scheme.

7.14. MCS have also updating the Heat Emitter Guide (HEG). This guide aims to help installers select the emitter type and operating temperatures of the system to optimise the efficiency when installing a heat pump in order to deliver the best performance.

7.15. The HEG enables installers to correctly estimate the Seasonal Performance Factor (SPF) of the heat pump; this has a direct impact on the payment received by a participant. Therefore there will be an immediate change from the current HEG to the new revision on the date the regulations come in to force. This is to ensure that there

is only a single method of calculating factors that impact on payments participants will receive, avoiding any ambiguity around the calculations impact on payments.

7.16. Degression correction

An amendment has been made to the degression mechanism so that when forecasting payments for the purposes of degression, those participants who have previously received a grant in order to purchase their renewable heating system cannot have a forecasted payment of below zero.

7.17. This correction reflects how this is handled in real terms. If a participant who has previously been awarded a grant that exceeds the quarterly payment they are due to receive through the RHI, this would result in a quarterly payment of below zero, but they would not be asked to pay DECC money.

7.18. Minor amendment for clarity

- Definition of ‘certified installer’ – The way that this definition is currently written in the regulations can be interpreted incorrectly. It can be read that for a scheme to be considered of an equivalent standard to MCS it needs to either demonstrate equivalency to MCS or be certified under EN 45011 or EN ISO/IEC 17065:2012. However, to achieve equivalency a scheme must demonstrate it shows equivalency to MCS and be certified by one of the named standards. This amendment makes it clear that both parts need to be met to be considered an equivalent scheme to MCS.
- Minor correction of solar thermal standard reference – Regulation 6(c) sets out three pairs of standards for solar thermal plants. For a solar thermal plant to be eligible it must meet one of the three sets of standards; however the original regulations only referenced two of the three sets.
- Eligible Property - There are a number of provisions where the reference to ‘property’ is replaced by ‘eligible property’. This is to ensure it is clear that the properties referred to are only those in respect of which RHI payments may be made under the Domestic RHI scheme.

8. Consultation outcome

8.1. We have not carried out a consultation on these amendments as these are minor changes and clarifications to ensure the original policy intent, as consulted on in September 2012, is delivered.

9. Guidance

9.1. Ofgem will provide further updated guidance for potential participants in the Domestic RHI scheme in a variety of formats and place this on their website – www.ofgem.gov.uk/environmental-programmes/domestic-renewable-heat-incentive

10. Impact

10.1. The Domestic RHI is a voluntary subsidy scheme. The impact on domestic participants is only applicable if they are owners of eligible renewable heating installations in a single domestic dwelling and have chosen to apply for the Domestic RHI.

10.2. An additional impact assessment has not been prepared to accompany these minor amendments. The impact assessment which was published alongside the Government response document, Domestic Renewable Heat Incentive on 'Proposals for a Domestic Scheme' on 12th July 2013 and can be found on the Gov.uk website and contains details of the impact of the policy which remain unchanged.

11. Regulating small business

11.1. The legislation applies to small business that operate in the renewable heat market with customers who wish to apply to the RHI, however, it does not add regulatory burden to their operations.

12. Monitoring and review

12.1. DECC will conduct periodic reviews of the Domestic RHI scheme and make further amendments to it if necessary. Reviews may involve a broader examination of the design and impact of the scheme overall.

13. Contact

13.1. Karen Smith at the Department of Energy and Climate Change, Tel: 0300 068 5643 or email Karen.Smith@decc.gsi.gov.uk