

Operation of the Renewable Heat Incentive



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What is the REA?

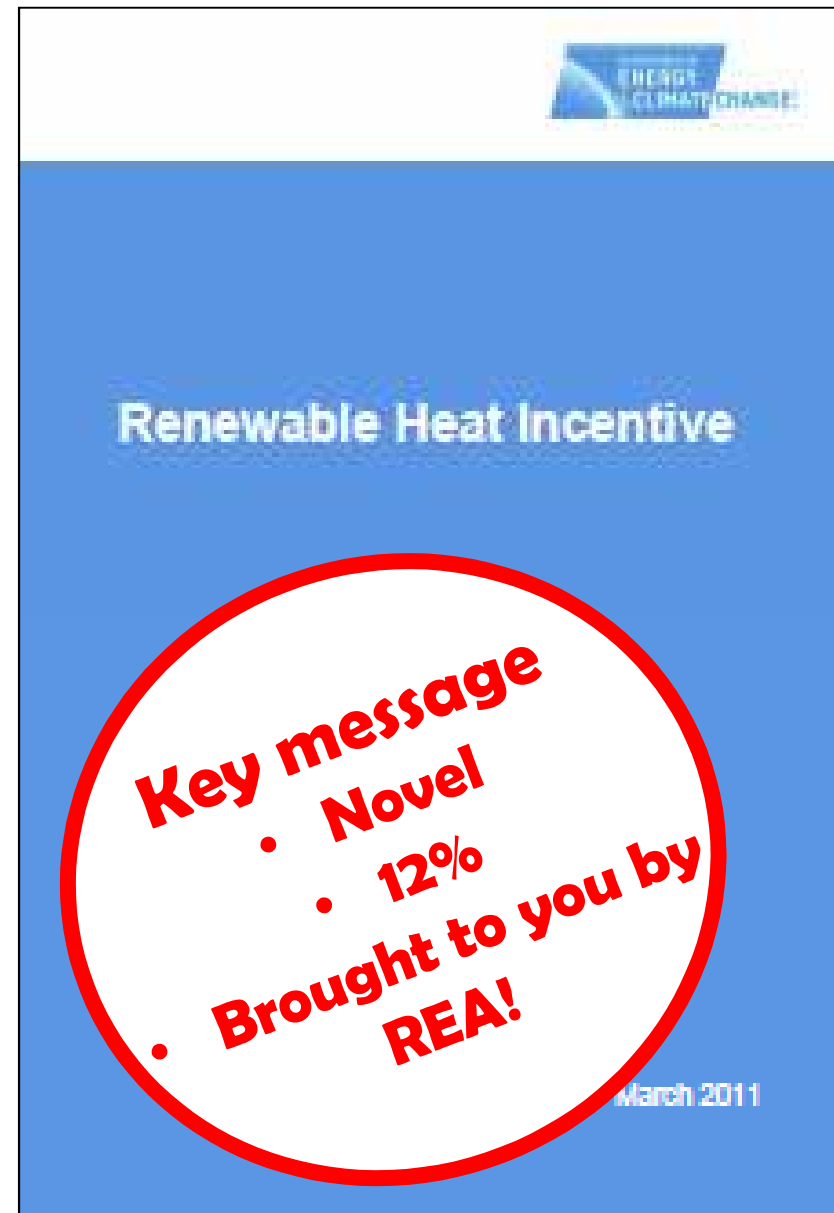
- ▲ The UK trade association for the renewables sector

We are unique, in that:

- ▲ 650 members and rising
- ▲ Members of all sizes – sole traders to multinationals, with a democratic, one member one vote structure
- ▲ Cover all sectors and all renewable technologies
- ▲ Activities include lobbying and policy development, and information dissemination to stakeholders and the wider community

The RHI

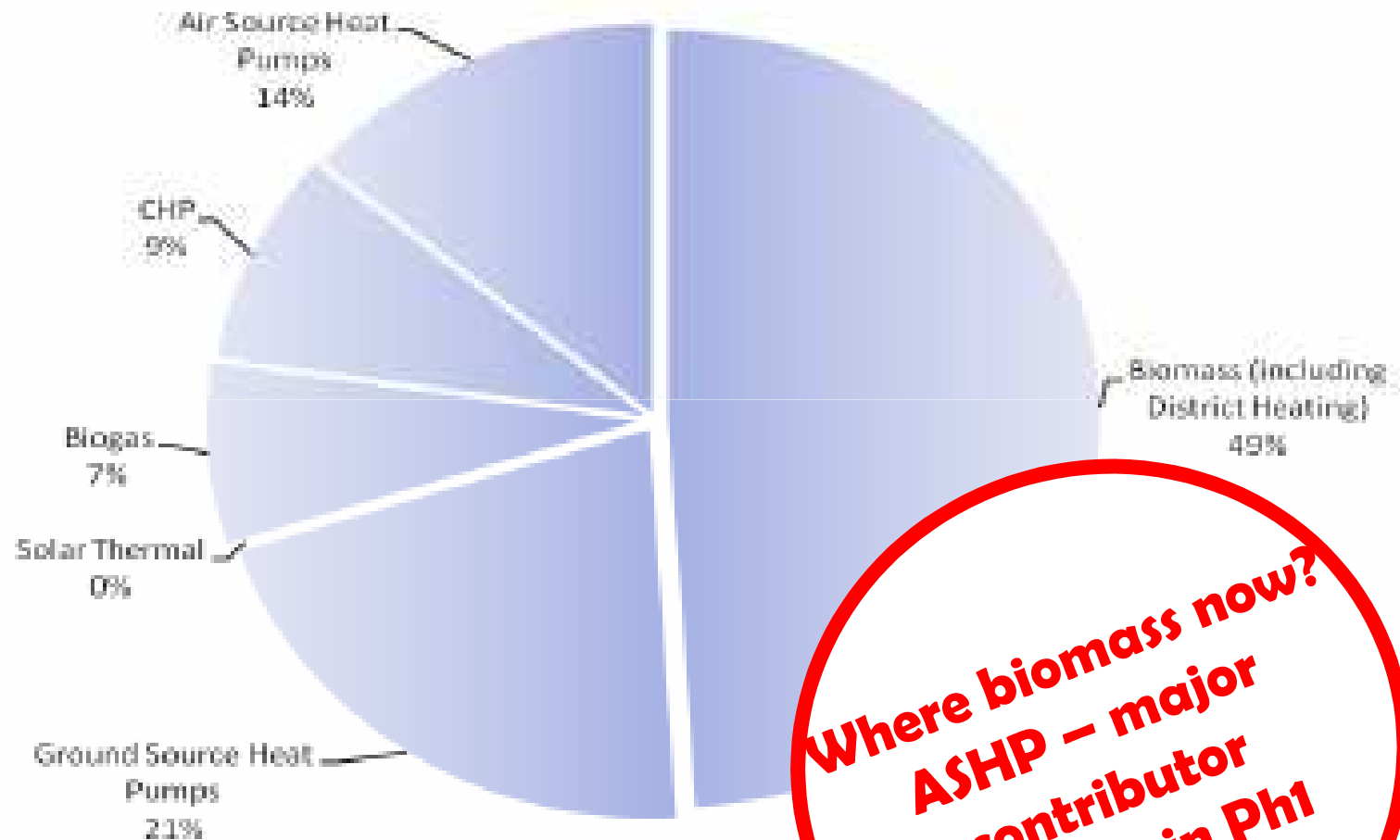
- ▲ Published March 10, 2011
- ▲ Decision document – not for further consultation
- ▲ £860million budget to 2014/15



Setting the tariffs

- ▲ Broken down into sizes and technology
- ▲ Paid on p/kWh of metered heat
- ▲ Paid for 20 years – index-linked to RPI
- ▲ Intended to cover the typical difference in cost between options on gas grid and renewable heat, and give 12% RoI (except solar)
- ▲ Heat from CHP receives the same tariff as heat-only generation by that technology/scale

What it might deliver in 2020



**Where biomass now?
ASHP – major contributor
but not in Ph1**

Possible timeline

**Update needed –
delay inevitable**

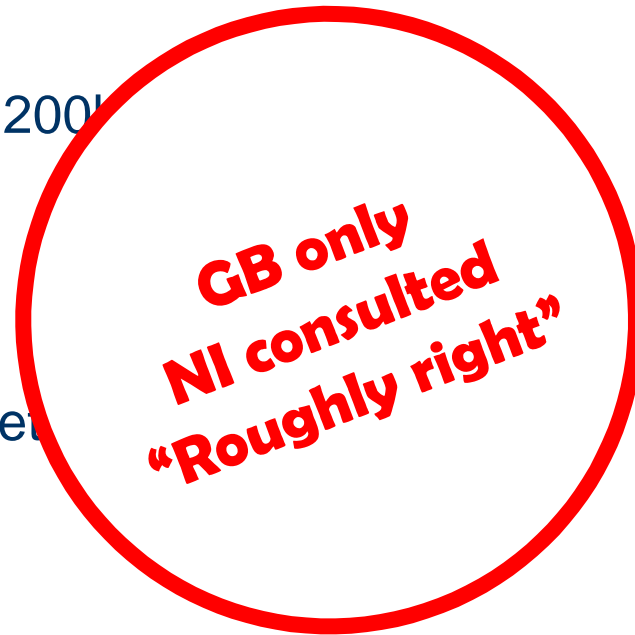
Date	Action
26 October	Revised RHI regulations laid before Parliament
10 November	Ofgem published final guidance
End November	RHI starts
spring 2012?	consultation launched on next phase of RHI
By Autumn 2012 (or later?)	Decisions and Parliamentary approval of new regulations. Phase 2 of RHI starts

Headlines

▲ Phase 1 has tariffs for solid biomass, GSHP, solar thermal, biogas and biomethane injection

▲ Significant omissions and limitations, **some** of which will be corrected in phase 2:

- > No bioliquids
- > No 'biogas' or solar thermal 200%
- > No air source heat pumps
- > No district heating uplift
- > No "domestic"
- > Landfill gas not eligible.... Yet



Eligibility

- ▲ Heat must be for **space, water or process heating delivered by liquid or steam** (kilns out)
- ▲ No grants
- ▲ No second hand / used before plant
- ▲ Heat-only installations built after 15 July 2009
- ▲ New heat recovery equipment on older power plant is eligible (but note size restrictions later)
- ▲ If 45kWth or less, kit must be MCS certified now – installer must have been certified when installed

Tariff levels

Technology	Installation capacity (kWth)	Tariff (p/kWh)
Small solid biomass	<200	Tier 1: 7.9 Tier 2: 2.0
Medium solid biomass	200 – 999	Tier 1: 4.9 Tier 2: 2.0
Large solid biomass	1000+	
Biogas combustion		
Biomethane injection to grid		
Small heat pumps (ground/water source, deep geothermal)	<100	
Large heat pumps (ground/water source, deep geothermal)	100+	
Solar thermal	<200	8.5

Biomass tariff not approved by EC - Methodology Challenged Prev. 2.7p

Claiming the tariffs



Ofgem to administer, (accredit installations and making quarterly payments)



Intended performance targets:

Activity	Working days required
Respond to enquiries	5 (simple) 10 (more complicated)
Decide on application for accreditation	20 (most) 30 (complex)
Make payments once meter readings received	20-30

....targets exclude periods where Ofgem is waiting and may take longer at busy periods.

Claiming the tariffs - metering

- ▲ Only the heat generated needs to be metered if the system is 'simple' (only eligible for a single building – not via steam and hot water)
- ▲ 'Complex' systems require more metering to be paid out on eligible heat used. Heat losses from serving multiple buildings will therefore not be paid tariff
- ▲ Where installation is 'complex' or 1MWth+, Ofgem will require independent metering report
- ▲ Preliminary accreditation available, but not for all technologies and scales

No district heating uplift, indeed it is at somewhat of a disadvantage...

Why the delay?

- ▲ European Commission objected to the 1MW+ biomass tariff on State Aids grounds, with the whole scheme held up while this was resolved
- ▲ DECC had deliberately set the tariff high in order to stimulate deployment in industrial sector and had been upfront on this.
- ▲ Rate is reduced from 2.7 to 1p/kWh – more than 60%! Bad for confidence for such a large reduction so late, and implications for CHP
- ▲ New regulations must be approved by Parliament, DECC hoping to be implement end November

More on biomass

- ▲ **Sustainability**:- quarterly reporting for 1MWth and above – country of origin, quantity and form of material, and whether produced in accordance with relevant environmental assurance schemes
- ▲ May be tightened along the lines of that now in Renewables Obligation (in 2013?)
- ▲ **Air quality** maximum limits to be set for <20MWth: 30g/GJ for PMs and 150g/GJ for NOx. To be introduced in phase 2

Combined Heat & Power

Many technologies can currently receive an 'uplift' via the Renewables Obligation. Cannot receive both uplift and RHI for same heat. Consultation open for 2013 onwards:

- ▲ 'Grandfather' CHP uplift
- ▲ Remove the uplift for new installations from April 2015 – new installations/capacity from April 2015 will have one-off choice between uplift and RHI
- ▲ CHP uplift will be retained for technologies currently eligible for uplift (liquids?)
- ▲ Serious issues with this proposal – RHI tariff reduced to 1p for RHI

RO now a better bet, more sure of access to funds, and more generous. Keep it there to 2017

Domestic

- ▲ Not in phase 1. Government has committed to include in 'phase 2' – but no guarantee what form this will take
- ▲ As a stop-gap, 'premium payments' have been introduced - £15million in one-off grants, but recipients will then be able to claim RHI. Scheme run by Energy Saving Trust
- ▲ Kit must be installed between 1 August 2011 and 31 March 2012

**1 house = domestic
houses or flats
= not domestic**

Staying in budget

▲ RHI funded from general taxation. Budget to 2014/15 must not be exceeded

▲ Likely to be some form of 'degression' – i.e. rates reduce for new entrants in pre-announced way

Industry preference for timetabled degression but Government wants to avoid FITs

Intention is to introduce 'capacity-triggered' degression. Not easy to satisfy Government and industry

▲ First planned review due to be implemented in 2015


**Major concern esp
For large projects
with long delivery
timescales**

For more info

 REA runs training courses – contact events@r-e-a.net

 RHI regulations

www.legislation.gov.uk/ukdsi/2011/9780111516393/contents

 Ofgem guidance (and has links to premium payments etc, as well as phone lines/emails for Ofgem and DECC)

www.ofgem.gov.uk/e-serve/RHI/Pages/RHI.aspx

 DECC page

www.decc.gov.uk/en/content/cms/meeting_energy/Renewable_ener/incentive/incentive.aspx

Thank you!

