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Date: 08 February 2021

For comment: Ofgem draft guidance Non-Domestic Renewable Heat Incentive Scheme Closure

Dear Stakeholder,

We're writing to let you know that we've published draft guidance today for comment, as part of the NDRHI scheme closure.

The draft guidance explains our proposed administration of the legislative changes to the Non-Domestic RHI. The guidance is based on the amendment regulations for the Renewable Heat Incentive Regulations 2018 (as amended), laid on 25 January 2021. The relevant amendment regulations come into force on 31 March 2021.

We are seeking stakeholder views on the proposed guidance documents for Non-Domestic RHI: Essential Guide to Scheme Closure as well as the updated drafts of existing guidance documents:

- Volume 1 and 2
- Easy Guide to Heat Pumps
- Easy Guide to Applying
- Easy Guide to Eligibility
- Easy Guide to Shared Ground Loops
- Fuel, Measurement and Sustainability (FMS)
- Sustainability Self Reporting
- Easy Guide for Metering
- Easy Guide to NDRHI

We would welcome your input for the guidances mentioned . **The comment period for this guidance document is open until 5 March 2021.**

Please be aware that this is not a consultation on the policy underpinning the NDRHI scheme, but on the clarity of the Ofgem guidance document. If you have queries about the policy, please send them to the Department for Business, Energy and Industrial Strategy (BEIS). You can find contact details at www.gov.uk/beis .

How to respond

The purpose of this draft guidance for comment is to obtain your views on our proposed administration of the legislative changes to the scheme and scheme closure.

In responding, please answer the following questions:

1. Do you have any concerns relating to the proposed processes and changes for administering the legislative changes as set out in this document?
2. Are there any aspects of this guidance that could be made clearer or improved?
If so, please provide specific comments including section references.
3. Are there any omissions in this guidance? If so, please provide comments.

Email your response to: RenewableHeat@Ofgem.gov.uk

You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you want us to keep your response confidential, please clearly mark this on your response and explain why.

Stakeholder Events

We plan to hold an online event about this guidance on **2 March 2021**, although you are still encouraged to submit your comments in writing. More details about the online event will be published on our website [here](#)¹, which will include how to sign up for the event. If you have any further queries, please email us.

¹ Non-Domestic RHI (NDRHI) Scheme Closure page.

Next steps

Once we have considered responses to the draft guidance we plan to publish the final guidance document, on day of scheme closure 31 March 2021.

Please send any general feedback queries to stakeholders@ofgem.gov.uk .

Yours sincerely,

Renewable Heat Team

Non-Domestic Renewable Heat Incentive

www.ofgem.gov.uk/ndrhi

08/02/2021

Non-Domestic Renewable Heat Incentive: Essential Guide to Scheme Closure

Overview

This document sets out the changes to procedures accompanying the closure of the Non-Domestic Renewable Heat Incentive (NDRHI) scheme from midnight at the end of 31 March 2021. It provides information for applicants and current participants on how we administer the NDRHI scheme during the closure, the changes to the schemes and any available grace periods.

This guidance is not intended to be a definitive technical or legal guide to the NDRHI scheme and the closure of the scheme.

Context

On 15 July 2009 the government introduced the NDRHI scheme. The scheme was launched on 28 November 2011. The scheme was aimed at encouraging the uptake of renewable heat by businesses, the public sector and non-profit organisations. The Renewable Heat Incentive (RHI) is a world-first government financial incentive scheme designed to increase the uptake of renewable heat technologies and reduce carbon emissions. As of November 2020, the NDRHI has helped to produce a total of 54,701 GWh of renewable heat.

The NDRHI (Amendments and Closure) Regulations was laid in Great Britain (GB) on 25 January 2021 to close the scheme to new installations from midnight at the end of 31 March 2021. There are some circumstances under which an application for accreditation or registration can be made post- scheme closure, including those that have been granted an extension application or have a Tariff Guarantee extended commission date.

The NDRHI scheme, introduced by Department of Business, Energy and Industrial Strategy (BEIS), formally known as Department of Energy and Climate Change (DECC), is administrated

by the Gas and Electricity Markets Authority (the Authority), which is supported in its day-to day functions by the Office of Gas and Electricity Markets (Ofgem, or 'us').

Associated Documents

Policy and legislation

- [The Renewable Heat Incentive Scheme Regulations 2018](#)
- [The Renewable Heat Incentive Scheme and Domestic Renewable Heat Incentive Scheme \(Amendment\) Regulations 2018](#)
- [The Renewable Heat Incentive Scheme and Domestic Renewable Heat Incentive Scheme \(Amendment\) Regulations 2019](#)
- [The Domestic Renewable Heat Incentive Scheme and Renewable Heat Incentive Scheme \(Amendment\) Regulations 2020](#)
- [The Domestic Renewable Heat Incentive Scheme and Renewable Heat Incentive Scheme \(Amendment\) Regulations 2021](#)
- [The Non-Domestic Renewable Heat Incentive: Ensuring a sustainable scheme](#)

Guidance

This guidance document is designed to be read alongside our main guidance documents:

- [Guidance Volume 1: Eligibility and how to apply](#)
- [Guidance Volume 2: Ongoing obligations and payments](#)

There are also a range of easy guides available on our website:

<https://www.ofgem.gov.uk/environmental-programmes/non-domestic-rhi>

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1. Introduction

Summary of closure arrangements

- 1.1. On 11 March 2020, the government announced their decision to close the NDRHI scheme to new applicants from midnight at the end of 31 March 2021.
- 1.2. The NDRHI scheme will close to all new applications (including applications for accreditation, preliminary accreditation, registration, preliminary registration, additional capacity, additional biomethane and Tariff Guarantees (TG)) from midnight at the end of 31 March 2021.
- 1.3. Therefore, eligible plants seeking accreditation must have been commissioned and submitted a properly made application for accreditation by midnight at the end of 31 March 2021.
- 1.4. There are some circumstances under which an application for accreditation or registration can be made post- scheme closure, which are:
 - A Tariff Guarantee has been issued and the deadline specified in the notice to commission (and for biomethane applications, commence injection of biomethane) and apply for full accreditation or registration is 31 March 2022. Please see our easy guide to tariff guarantee.
 - Ofgem has granted an applicant an extension of time where a properly made 'extension application', supported with specific evidence, is submitted from 1 March 2021 and before midnight at the end of 31 March 2021. These applicants must demonstrate significant capital, or significant human or material resource was invested in the development of a plant on or before 17 August 2020. Please see our guide to non- tariff guarantee [extension application](#).
- 1.5. The closure of the scheme does not affect the payments received by installations already accredited under the scheme. These installations must continue to comply with the scheme requirements in order to receive payments. The payment period for the NDRHI will end on 31 March 2041.

- 1.6. Though the scheme is closing, for accredited installations you can still relocate² your RHI accredited installation. Post scheme closure you can replace³ your RHI installation and change ownership⁴. For more information on relocation, change of ownership and replacement please see our [Guidance Volume 2: Ongoing obligations and Payments](#).

Scope of this guidance document

- 1.7. This guidance document provides a detailed overview of the administrative arrangements and legislative changes for the closure of the NDRHI scheme to new and current applicants. Its purpose is to clarify how applicants can fulfil their obligations with respect to the NDRHI scheme, and how applicants can gain accreditation for renewable installations before the various cut-off dates for applications.
- 1.8. Applications for full accreditation received on or before 31 March 2021 are unaffected by the closure of the NDRHI scheme (unless you are a non-tariff guarantee extension application). You should follow the guidance on eligibility and the application process for these installations in our [Guidance Volume 1: Eligibility and how to apply](#).
- 1.9. This document is designed to be a reference for changes to the way the scheme will be administered from 1 April 2021. It is not a complete guide to all the administrative and legislative changes of the scheme. It should be read alongside our main guidance documents which provide further detail.

² Regulation 55, The Renewable Heat Incentive Scheme Regulations 2018

³ Regulation 55A, The Renewable Heat Incentive Scheme Regulations 2018

⁴ Regulation 54, The Renewable Heat Incentive Scheme Regulations 2018

2. Additional capacity/additional biomethane:

This chapter outlines the end to the ability to add additional capacity to accredited RHI plants.

- 2.1. From midnight at the end of 31 March 2021 the NDRHI will be closed to all applications for additional capacity and additional biomethane for injection capacity.
- 2.2. This means any applications submitted to Ofgem on or after 1 April 2021 for additional capacity or additional biomethane for injection capacity will not be eligible for any RHI support.
- 2.3. Please note that additional capacity is different from modified capacity for ground source heat pumps or shared group loop systems. Further information on modified capacity for shared group loops systems can be found in Chapter 3.

3. Modified capacity for Shared Ground Loop:

This chapter outlines the introduction to the mechanism of modified capacity for Shared Ground Loops providing space and/or water heating from 1 April 2021.

- 3.1. From 22 May 2018, applications submitted for a system where a ground loop is connected to two or more heat pumps will be classified as a Shared Ground Loop (SGL) system. From the 1 April 2021, participants who have an accredited SGL or a ground source heat pump will be able to modify the capacity of their installation through the commissioning of additional ground source heat pumps.
- 3.2. Any such modification is permissible only if the additional ground source heat pumps are to be commissioned as part of a SGL and will meet the eligibility requirements of SGLs. The deadline to submit a plan to modify capacity is the 31 March 2023.
- 3.3. This route of modified capacity is not permitted for ground source heat pumps or SGL that are providing process heating. Modified capacity is only applicable to ground source heat pumps or SGL that are providing space and/or water heating only.
- 3.4. Modified capacity applications will be assessed against the available budget. Ofgem will consider plans to modify capacity in the order in which we receive notification of modification. Where there is no available budget ie the estimated total modified capacity would exceed the budget allocation for the year, Ofgem will not be able to approve a plan to modify capacity.
- 3.5. A participant may not modify the installation capacity of their accredited RHI installation more than twice during the tariff lifetime for that installation.
- 3.6. The modification of capacity will not affect their tariff end date or initial tariff lifetime.
- 3.7. The modification of an accredited ground source heat pump or shared ground loop system will not alter the tariff end date or the tariff lifetime of the accredited RHI installation.

- 3.8. In calculating the tariff, “initial heat⁵” must be determined taking into account the installed peak heat output capacity of the ground source heat pump or pumps added as part of the modification.
- 3.9. For more information on Modified capacity please see Easy Guide to Heat Pumps and [Guidance Volume 2: Ongoing obligations and Payments.](#)

⁵ Regulation 63, The Renewable Heat Incentive Scheme Regulations 2018

4. Change of producer of biomethane for injection:

This chapter outlines the introduction to the mechanism to allow the transfer of registration of biomethane production between parties.

- 4.1. From 1 April 2021, participants will be able to transfer their registration of producer for biomethane injection. Please note that the participant (ie the 'original producer') must notify us of any changes made to their registration or equipment used to produce biomethane within 28 days of making such changes. Failure to notify us of any changes (including change of producer of biomethane for injection) is a breach of ongoing obligations which may result in us taking enforcement action.
- 4.2. In addition, the 'new producer' must notify us of a change of producer of biomethane for injection. On receipt of notification from the new producer, we will assess whether we are satisfied that the ongoing obligations will continue to be complied with, and that all the applicable requirements will continue to be met. We may ask the new producer to provide any information we consider necessary to undertake this assessment. Please note we may refuse to register a new producer where we consider that one or more of the applicable ongoing obligations will not be complied with.
- 4.3. For more information on change of producer and ownership see our [Guidance Volume 2: Ongoing obligations and Payments](#)

5. NDRHI and the Renewable Transport Fuel Obligation (RTFO) Scheme :

This chapter outlines the introduction to the rules on the NDRHI payment formula to allow biomethane producers to claim payments from NDRHI and the Department for Transport's (DfT's) Renewable Transport Fuel Obligation (RTFO) within the same quarter.

- 5.1. From 1 April 2021, biomethane producers may participate on NDRHI and the Department for Transport's (DfT's) Renewable Transport Fuel Obligation (RTFO). Biomethane producers will be able to claim RHI payments for a proportion of the eligible biomethane they inject in a given quarter. The remaining portion of the biomethane may, subject to DfT's criteria, be eligible under the RTFO scheme.
- 5.2. Whilst dual participation on the RTFO Scheme and NDRHI scheme is supported under the NDRHI regulations, Ofgem must not make a periodic support payment in respect of any proportion of biomethane injected in a quarterly period where a Renewable Transport Fuel Certificate (RTFC) has been issued under the Renewable Transport Fuel Obligations Order 2007⁶. We will be working with participants and industry to determine how this will be verified.
- 5.3. In order to make a partial claim for the biomethane injected in a given quarter, participants will be required to provide the following information to Ofgem, as part of their usual quarterly periodic data submissions via the RHI register:
 - a figure for the total amount of biomethane (in kWh) injected in that quarterly period; and
 - a figure for the proportion of that biomethane for which they wish to claim RHI support.
- 5.4. For more information on the interaction see [Guidance Volume 2: Ongoing obligations and Payments](#)

⁶ S.I. 2007/3072, amended by S.I. 2011/534, 2011/2937, 2018/374 and 2020/1541

6. Fossil Fuel use in anaerobic digestion (AD):

This chapter outlines the introduction of provisions on the use of fossil derived fuel in anaerobic digestion (AD) and biomethane.

- 6.1. From 1 April 2021 participants producing biogas from AD in an accredited RHI installation or producing biomethane for injection from biogas made from AD may use feedstock derived from fossil fuel only where the contribution of the fossil fuel to the energy content of the biogas does not exceed 10%. The percentage of the energy content of biogas from the fossil fuel component of the feedstock is to be determined by Ofgem for every quarterly period. The percentage would be determined via an agreed Fuel, Measurement and Sampling (FMS) procedure.
- 6.2. The percentage of the energy content of biogas from feedstock derived fossil fuel is the energy content of the fossil fuel expressed as a percentage of the energy content of the biogas used in that quarterly period to generate heat or produce biomethane.
- 6.3. Where a participant generates eligible heat or injects biomethane using biogas produced from feedstock derived from fossil fuel, the periodic support payment calculated will be reduced pro rata to reflect the percentage of the energy content of the fossil fuel component of the biogas used in the relevant quarterly period.
- 6.4. Please note, it is the responsibility of the participant to retain and produce the evidence necessary to demonstrate the percentage of the energy content of biogas from feedstock derived from fossil fuel, is accurate.
- 6.5. If in any given quarterly period, the 10% threshold is exceeded, the participant would be in breach of their ongoing obligations which may result in compliance action and could impact their RHI payments.

7. Fuel quality standard:

This chapter outlines the introduction of the fuel quality standard which is an assurance process to cover the whole chain, from the supply of raw materials to the point of delivery to the participant.

- 7.1. As of 1 April 2022, solid biomass which is wood that is used to generate heat in an accredited RHI installation must meet the woodfuel quality criteria outlined below:
1. All wood pellets must meet the EN Plus A1 standard⁷ or an equivalent standard.
 2. All other woodfuel must meet fuel quality standard EN 15234-1:2011⁸ , EN15234/SO 9001: 2015⁹ , EN ISO 17225-4:2014¹⁰ or an equivalent standard.
- 7.2. The RHI regulations defines “Woodfuel” in the context of the woodfuel quality criteria as woodchip, logs, wood pellets and wood briquettes, regardless of whether the wood will undergo any other process before burning.
- 7.3. All woodfuel must be certified by the Woodsure Certification Scheme¹¹ or an equivalent certification scheme as meeting the standard in points 1 or 2. The certification scheme must provide assurance of the supply chain of the woodfuel.
- 7.4. Participants will be required to provide evidence the woodfuel they have used in their accredited RHI installation meets the wood fuel quality criteria. This information will be requested on a quarterly basis alongside meter readings and sustainability information.
- 7.5. BEIS have indicated that they will amend the terms of the Biomass Suppliers List (BSL) for woody fuels to ensure that all the fuel that they accredit complies with the new

⁷ <https://www.enplus-pellets.eu/en-in/>

⁸ <https://standards.iteh.ai/catalog/standards/cen/18307fb9-4548-40e6-8352-b7f0c462768e/en-15234-1-2011>

⁹ <https://www.iso.org/standard/62085.html>

¹⁰ <https://standards.iteh.ai/catalog/standards/cen/acae5637-0946-4570-8613-eac7a6be6b27/en-iso-17225-1-2014>

¹¹ <https://woodsuresure.co.uk/about-woodsuresure/>

criteria. This will allow participants to demonstrate to Ofgem that the fuel they are using in their biomass boilers meets the NDRHI sustainable criteria to claim payments.

- 7.6. We expect certification bodies to publish guidance that provides details of how to comply with this requirement.
- 7.7. Ofgem will only signpost NDRHI participants to organisations that supply fuel compliant with the scheme. Fuel suppliers are therefore required to demonstrate their compliance to their certification bodies. For instance, if a fuel supplier uses the BSL, this new requirement may require them to obtain a new BSL number that demonstrates compliance.
- 7.8. Where participants self-report to Ofgem, the onus will be on the participant to show compliance with the new woodfuel quality criteria. Participants will need to collate evidence that demonstrates that the consignments of fuels they used in each quarter comply with the fuel quality standard, in addition to meeting the land and greenhouse gas (GHG) emission limit criteria.
- 7.9. To allow the industry to prepare for this change, the government will allow a one-year transition period before this requirement is enforced. Therefore, this requirement will only come into force on 1 April 2022.

8. Meters

This chapter outlines the changes to simple and complex installation systems for participants on the scheme pre 2013.

- 8.1. From 1 April installations that were classified as 'simple' installations will now be considered 'standard'. Any installation classified as 'complex' will now be considered multiple as of 1 April 2021.
- 8.2. Applications pre 2013 will no longer require an installation meter due to the above change. Installation meters are different to standard meters in that they are utilised to monitor performance but readings from them are not necessarily required for calculating payments.