

Renewable Heat Incentive
Department for Business, Energy & Industrial Strategy
6th Floor, 1 Victoria Street
London SW1H 0ET

31 October 2017

Dear Sir/Madam

The Non-Domestic Renewable Heat Incentive: Eligible Heat Uses

Scottish Renewables is the representative body for the renewable energy sector in Scotland, working to grow a sustainable industry which delivers secure supplies of low-carbon, clean energy for heat, power and transport at the lowest possible cost. We represent around 280 organisations ranging from large suppliers, operators and manufacturers to small developers, installers and community groups, and companies right across the supply chain.

As part of the UK Government's binding renewable energy target to secure 15 per cent of its energy from renewables by 2020, there is an ambition to source 12 per cent of UK heat from renewable sources. As of 2014, the latest year for which we have data, progress stood at just 4.5 per cent and it is widely recognised that the overall target "no longer looks achievable"¹.

Since the launch of the Non-Domestic Renewable Heat Incentive (RHI) in 2011 and the Domestic RHI in 2014, the scheme has played a pivotal role in encouraging the use of renewable heat. For this reason, we believe it is imperative that the RHI provides a stable framework which encourages investment, and supports the development of the renewable heat sector, across all scales of renewable heat technologies.

While we support the consultation's aim to ensure that policy intent is clear and RHI use is appropriate, it is our view that a number of the measures proposed could cause significant uncertainty for industry and investors. It is vital that the RHI creates a level playing field for both small-scale and industrial-sized low-carbon heat developments. While we understand there are budgetary limitations, we would strongly advocate for an approach focussed on policy intent: decarbonisation of heat across all scales of our energy system.

In summary, it is our view that the RHI should:

¹ https://www.theccc.org.uk/wp-content/uploads/2015/06/6.737_CCC-BOOK_WEB_030715_RFS.pdf (p79)

- Support the decarbonisation of heat at all scales
- Ensure investor certainty to support industry development by providing a stable framework for investment
- Prevent and penalise inappropriate use of the RHI mechanism
- Operate transparently

It is particularly important to note that a number of projects have committed significant investment towards delivery within timescales that would be affected by the outcome of this consultation. With this in mind it is important that any changes to the scheme are carefully managed and do not undermine the aspirations of UK Government Industrial Strategy and renewable energy targets. For any retrospective changes to the scheme, we would encourage BEIS to further protect investor confidence in the RHI mechanism by providing a grace period to manage transition periods and insure existing investment in projects is not jeopardised.

We have set out our key points below and, rather than answer every question individually, we have addressed specific points in relation to the key themes of the consultation.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Hannah Smith', written in a cursive style.

Hannah Smith
Senior Policy Manager

Consultation Response

Very large plant

We understand concern over the possibility that a small number of very large plant may take up a substantial portion of the RHI budget, and potentially trigger the RHI budget cap, leading to the closure of RHI schemes.

We are therefore sympathetic to proposals designed to ensure large plant and small installations are on a level playing field, with access to RHI budget. Given the trajectory towards decentralised energy systems, and the local nature of several heat decarbonisation projects, we strongly support the aspiration to ensure small projects retain access to the scheme.

However, introducing an annual limit on the amount of heat/biomethane for which an individual accreditation can receive RHI payments would constitute a fundamental change to the operation of the RHI scheme. A cap would likely prevent industrial-scale heat decarbonisation², threatening the policy intent behind the scheme.

Rather than imposing a cap, we would therefore support consideration of an alternative means within the RHI mechanism to ensure both small, decentralised renewable heat installations as well as industrial scale plant are able to benefit from the RHI mechanism.

Any alternations to the existing scheme would have significant impact across business models for existing and prospective schemes. It is therefore vital that any such change is carefully managed, and implemented with caution. We would encourage a suitable transition period, and would support grace periods/grandfathering arrangements.

The RHI has played a pivotal role in supporting the decarbonisation of heat. With the Clean Growth Strategy noting that the UK is likely to fall short of meeting its fifth carbon budget, in our view it is vital that renewable heat is supported at all scales going forward.

Multiple installations

Scottish Renewables supports proposals to prevent inappropriate use of the RHI, including those detailed in the consultation on multiple installations.

² <https://www.gov.uk/government/publications/industrial-decarbonisation-and-energy-efficiency-roadmaps-to-2050>

We would note however that in rare cases, such as where the density of heat demand is too low to support a heat network, there can be legitimate use cases for registering multiple installations on the same site. This could, for example, occur in a new housing development with low building density and high levels of energy efficiency³.

We therefore support the development of eligibility criteria to determine whether or not site configuration/number of installations is appropriate. Such criteria should be developed with considerable input from industry. In our view this requires further industry engagement and consultation.

We believe the criteria for defining a 'single site' (shared ownership, shared purpose, shared planning permission/location, and shared equipment) to be too narrow.

Registering to inject biomethane

We recognise there are a number of complexities surrounding the injection of biomethane into the gas grid, particularly when accommodating the production of the gas in a different location to the grid-injection point.

However, we do recognise that this can lead to inappropriate use of the RHI (staggered commissioning, payment maximisation). We support the measures set out in the consultation and in our view implementing tariff guarantees would greatly reduce the incentive to use the RHI inappropriately.

We note that biogas production remains an innovative technology, and steps should be taken to ensure investor confidence and appropriate support for technology developers alongside government taking steps to ensure policy intent is met.

Other Cross Cutting Issues

Proposals on environmental permits

³ It is our understanding that generally heat networks are viable with an approximate overall density of 50kWh/m² or greater.

Line heat density should rarely fall below 0/5MWh/m/year, so, for example buildings with a heat demand of 15MWh/year separated by more than around 30 metres would become unviable.

We support the proposal that all new plant, as well as additional capacity added to existing plant, should be required to meet necessary environmental requirements in order to be eligible for RHI payments.

We would welcome further discussion on procedure should a site not meet its environmental obligations.

Similarly, in order to give businesses and investors the certainty they require, we would support consideration of a 'warning' or a 'grace period' – in which time a scheme has to demonstrate compliance ahead of RHI payments being ceased.

Replacing plant

We welcome the proposed amendment to allow scheme participants to replace plant and remain on the same tariff for the remainder of their participation in the scheme.

We would encourage consideration of a mechanism to enable replacements where a 'like-for-like' replacement is unavailable (for example, where the manufacturer no longer operates).

Estimated data

We broadly support the proposed changes on data provision to ensure that RHI payments are accurate. We would support provisions for estimated data to be used in unavoidable circumstances (such as data monitoring equipment failure) beyond the two year per installation period.