
DRAFT STATUTORY INSTRUMENTS

2014 No.

**The Domestic Renewable Heat
Incentive Scheme Regulations 2014**

PART 6

Calculation of tariffs and cost control

Duty to calculate and publish tariffs

33.—(1) The Authority must calculate in accordance with this Part and publish on its website, by the dates specified in paragraphs (2) and (3), tables specifying in relation to each tariff category—

- (a) the initial tariffs for accredited domestic plants with a tariff start date in the tariff period immediately following the date on which the table is published; and
- (b) the subsequent tariffs for accredited domestic plants for the financial year which commences on or after the date on which the table is published.

(2) The tables of initial tariffs must be published by 15th September 2014 and 15th December 2014, and in each subsequent calendar year by 15th March, 15th June, 15th September and 15th December.

(3) The tables of subsequent tariffs must be published by—

- (a) 1st April 2014, but only where the relevant date is earlier than that date; and
- (b) 1st January 2015 and 1st January of each subsequent calendar year.

Calculation of initial tariffs

34.—(1) The initial tariff for an accredited domestic plant is calculated in accordance with this regulation.

(2) Where the first commissioning date for the accredited domestic plant is earlier than the relevant date or its tariff start date is earlier than 1st October 2014, the initial tariff is the tariff for the plant's tariff category set out in Schedule 5.

(3) In any other case, the initial tariff is calculated in accordance with the following formula—

$$A \times B$$

where—

- (a) A is calculated in accordance with regulation 35; and
- (b) B is calculated in accordance with regulation 36.

Calculation of initial tariffs: calculation of A

35.—(1) This regulation provides for the calculation of A for the purposes of regulation 34(3)(a).

(2) If the accredited domestic plant's tariff start date is in a tariff period commencing on—

- (a) 1st October 2014, A is the tariff for the tariff category for the accredited domestic plant (“the relevant tariff category”) set out in Schedule 5;
- (b) any date other than 1st October 2014 or 1st April of any year, A is the initial tariff for plants in the relevant tariff category with a tariff start date in the immediately preceding tariff period, published by the Authority under regulation 33(1)(a) (“C”); or
- (c) 1st April (other than 1st April 2014), A is C multiplied by the percentage increase or decrease in the retail prices index for the immediately preceding calendar year (the resulting figure being stated to two decimal places and rounded to the nearest hundredth of a penny with any two hundredth of a penny being rounded upwards).

Calculation of initial tariffs: calculation of B

36.—(1) This regulation provides for the calculation of B for the purposes of regulation 34(3)(b).

- (2) B is 1 if—
 - (a) the expenditure threshold is not exceeded on the relevant assessment date;
 - (b) the previous value of B is 0.9 and neither the super expenditure threshold nor the growth threshold is exceeded on the relevant assessment date; or
 - (c) the previous value of B is 0.8 and the super growth threshold is not exceeded on the relevant assessment date.
- (3) B is 0.9 if—
 - (a) the previous value of B is 1 and the expenditure threshold is exceeded on the relevant assessment date but the super expenditure threshold is not exceeded on that date;
 - (b) the previous value of B is 0.9 and on the relevant assessment date—
 - (i) the expenditure threshold is exceeded but the super expenditure threshold is not exceeded; and
 - (ii) the growth threshold is exceeded but the super growth threshold is not exceeded; or
 - (c) the previous value of B is 0.8 and on the relevant assessment date—
 - (i) the expenditure threshold is exceeded; and
 - (ii) the growth threshold is exceeded but the super growth threshold is not exceeded.
- (4) B is 0.8 if—
 - (a) the previous value of B is 1 or 0.9 and the super expenditure threshold is exceeded on the relevant assessment date; or
 - (b) the previous value of B is 0.8 and both the super expenditure threshold and the super growth threshold are exceeded on the relevant assessment date.
- (5) In this regulation—
 - (a) the expenditure threshold is exceeded on an assessment date if the forecast for expenditure for the relevant tariff category in relation to that date exceeds the figure specified for that tariff category and assessment date in the second column of the table in the relevant Part of Schedule 6;
 - (b) the growth threshold is exceeded on an assessment date if the increase in expenditure forecast for the relevant tariff category in relation to that date exceeds the figure specified in relation to that tariff category and date in the third column of the table in the relevant Part of Schedule 6;
 - (c) the super expenditure threshold is exceeded on an assessment date if the forecast for expenditure for the relevant tariff category in relation to that date exceeds the figure

- specified in relation to that date in the fourth column of the table in the relevant Part of Schedule 6;
- (d) the super growth threshold is exceeded on an assessment date if the increase in expenditure forecast for the relevant tariff category in relation to that date exceeds the figure specified in relation to that tariff category and date in the fifth column of the table in the relevant Part of Schedule 6;
 - (e) the previous value of B is, if the accredited domestic plant's tariff start date is in the tariff period commencing—
 - (i) on 1st October 2014, 1; or
 - (ii) after 1st October 2014, the value of B when the Authority calculated the initial tariffs for plants in the relevant tariff category with a tariff start date in the immediately preceding tariff period.
- (6) For the purposes of this regulation—
- “relevant assessment date” means the assessment date immediately preceding the commencement of the relevant tariff period;
- “relevant tariff category” means the tariff category for the accredited domestic plant; and
- “relevant tariff period” means the tariff period that the tariff start date for the accredited domestic plant is in.

Calculation of subsequent tariffs

37.—(1) The subsequent tariff for an accredited domestic plant is calculated in accordance with this regulation.

(2) For the financial year (“FY1”) commencing immediately following the end of the initial tariff period, the subsequent tariff is, if FY1—

- (a) commences on 1st April 2014, the tariff set out in Schedule 5;
- (b) does not commence on 1st April 2014, calculated in accordance with the following formula—

$$A \times C$$

the resulting figure being stated to two decimal places and rounded to the nearest hundredth of a penny with any two hundredth of a penny being rounded upwards.

(3) For each financial year after FY1, the subsequent tariff is calculated in accordance with the following formula—

$$B \times C$$

the resulting figure being stated to two decimal places and rounded to the nearest hundredth of a penny with any two hundredth of a penny being rounded upwards.

- (4) In paragraphs (2) and (3)—
 - (a) A is the initial tariff for the accredited domestic plant;
 - (b) B is the subsequent tariff for the accredited domestic plant in the immediately preceding financial year; and
 - (c) C is the percentage increase or decrease in the retail prices index for the calendar year ending on 31st December immediately preceding the commencement of the financial year for which the subsequent tariff is being calculated.

Expenditure forecast statement and tariff change notice

38.—(1) The Secretary of State must publish on the GOV.UK website a statement (an “expenditure forecast statement”) in accordance with this regulation.

- (2) For that purpose, the Secretary of State must determine as at the latest assessment date—
- (a) for each tariff category, the forecast for expenditure in relation to the relevant plants that are in that tariff category; and
 - (b) the increase in expenditure forecast in relation to each tariff category.
- (3) An expenditure forecast statement must set out, as at the latest assessment date—
- (a) each of the forecasts for expenditure referred to in paragraph (2)(a); and
 - (b) each of the increase in expenditure forecasts referred to in paragraph (2)(b).
- (4) Paragraph (5) applies to a tariff where—
- (a) the tariff is the initial tariff for accredited domestic plants with a tariff start date in the tariff period immediately following the publication of the expenditure forecast statement (“tariff period A”);
 - (b) the tariff differs from the initial tariff for plants in the same tariff category with a tariff start date in the tariff period immediately preceding tariff period A; and
 - (c) the reason for that difference is not solely due to an increase or decrease in the retail prices index.

(5) Where this paragraph applies, the Secretary of State must also publish with the expenditure forecast statement a notice (“the tariff change notice”) setting out that tariff and identifying the tariff period and tariff category to which it relates.

(6) The expenditure forecast statement, and if applicable the tariff change notice, must be published by 1st September 2014 and 1st December 2014 and subsequently by 1st March, 1st June, 1st September and 1st December in each calendar year.

- (7) In this regulation—
- “estimated spend”, in relation to a relevant plant and an assessment date, means—
- $$(A \times B \times C) - D$$

where—

- (a) A is—
 - (i) if the relevant plant is an accredited domestic plant, the deemed annual heat generation; or
 - (ii) in any other case, the amount of heat in kWh that will be the deemed annual heat generation for the plant if accreditation is given;
- (b) B is—
 - (i) if the property to which the relevant plant provides heat was occupied for less than 183 days in the 12 month period ending on the RHI date for the plant, or the participant has notified the Authority that the property is occupied for less than 183 days in a 12 month period, the number of days the Secretary of State estimates that the property will be occupied in the 12 month period commencing on the assessment date divided by 365; or
 - (ii) in any other case, 1;
- (c) C is—
 - (i) if the relevant plant is an accredited domestic plant, the tariff applicable to that plant on the assessment date; or

- (ii) in any other case, the tariff that will be the initial tariff for the relevant plant if accreditation is given; and
- (d) D is—
 - (i) if the relevant plant is an accredited domestic plant, the grant funding deduction for the relevant plant for the quarterly period that includes the assessment date, multiplied by 4; or
 - (ii) if the relevant plant is not an accredited domestic plant, the total value of any grants from public funds for the costs of the purchase or installation of the relevant plant which were disclosed by the person making the accreditation application at the time the application was made divided by 7, or 0 if no such grant was disclosed;

“forecast for expenditure” means the sum of the estimated spend at an assessment date for each relevant plant which is in a tariff category;

“increase in expenditure forecast” means the difference between the forecast for expenditure for a tariff category—

- (a) as at that assessment date; and
- (b) as at the assessment date immediately preceding that assessment date; and

“relevant plant” means a plant for which the first commissioning date is on or after the relevant date and where the plant is—

- (a) an accredited domestic plant; or
- (b) a plant for which an accreditation application has been made and has not been rejected by the Authority.