

EXPLANATORY MEMORANDUM TO

THE RENEWABLE HEAT INCENTIVE SCHEME AND DOMESTIC RENEWABLE HEAT INCENTIVE SCHEME (AMENDMENT) REGULATIONS 2017

2017 No. 727

1. Introduction

- 1.1 This explanatory memorandum has been prepared by the Department for Business, Energy and Industrial Strategy and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

- 2.1 This instrument makes one limited change to the Renewable Heat Incentive Scheme Regulations 2011 (the “2011 Regulations”) and the Domestic Renewable Heat Incentive Scheme Regulations 2014 (the “2014 Regulations”). These changes are made in order to allow the Non-domestic Renewable Heat Incentive scheme (“Non-domestic RHI”) and the Domestic Renewable Heat Incentive scheme (“Domestic RHI”) to continue to operate as intended.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

- 3.1 None

Other matters of interest to the House of Commons

- 3.2 Disregarding minor or consequential changes, the territorial application of this instrument includes Scotland.

4. Legislative Context

- 4.1 This instrument makes one, limited change to the 2011 Regulations for the Non-domestic RHI, and an identical change to the 2014 Regulations for the Domestic RHI, to ensure the schemes continue to operate as intended. This change provides for updated Microgeneration Installation Standard requirements to apply to contractors undertaking the supply, design and installation etc. of microgeneration heat pump systems under the Microgeneration Certification Scheme (MCS). This will ensure that heat pumps installed in line with the latest standard will remain eligible for the Non-domestic RHI and Domestic RHI (together, the “RHI”).
- 4.2 The Non-domestic RHI was introduced in November 2011 and is open to producers of biomethane for injection into the gas-grid, and to renewable heat installations that provide heat to buildings for purposes other than heating a single domestic property. This includes, for example, systems providing renewable heating to public buildings or commercial properties, for industrial or agricultural uses, or for heating a block of flats. The Domestic RHI followed in April 2014, and is open to renewable heat installations that provide heat to single domestic properties. The schemes aim to facilitate and encourage the transition from conventional forms of heating to low-carbon alternatives. The RHI provides financial incentives to households and non-

domestic consumers, including public bodies and charities, to help bridge the gap between the cost of renewable heating systems and the conventional alternatives.

5. Extent and Territorial Application

- 5.1 The extent of this instrument is Great Britain.
- 5.2 The territorial application of this instrument is Great Britain.

6. European Convention on Human Rights

- 6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

What is being done and why

- 7.1 The RHI scheme was introduced under the powers afforded to the Secretary of State by the Energy Act 2008. It was introduced to deliver carbon emissions reductions to help the UK meet its obligations under the Climate Change Act 2008 and the Carbon Budgets established under that Act, and to help the UK meet its target under Directive 2009/28/EC (the “Renewable Energy Directive”) that 15% of energy consumption is to come from renewable sources by 2020. The Government intends that the renewable heat generated under the RHI will make a significant contribution to these obligations.
- 7.2 Section 100 of the Energy Act 2008 makes provision for the Secretary of State to make regulations which establish a scheme to facilitate and encourage the renewable generation of heat and govern the administration of the scheme and the calculation of payments to participants.
- 7.3 The Domestic RHI and Non-domestic RHI operate by making subsidy payments to owners of eligible renewable heat technologies and producers of biomethane (in the Non-domestic RHI only) for the renewable heat generated or biomethane injected into the grid.
- 7.4 These Regulations make one limited change to the 2011 Regulations for the Non-domestic RHI and 2014 Regulations for the Domestic RHI. This change is to include reference to the latest version of the MCS installation standard for heat pumps, to allow heat pumps installed under this standard to be eligible for the RHI.

Consolidation

- 7.5 The Department is not consolidating the relevant legislation at this time, although this will be reviewed for any future amendments.

8. Consultation outcome

- 8.1 The Department has not consulted on these amendments, which are not considered to be material changes to the schemes. The changes are simply to ensure the continued smooth functioning of the schemes and represent a continuation of the existing approach.

9. Guidance

- 9.1 The Office of Gas and Electricity Markets, which administers the RHI schemes, has published supporting guidance to provide information for scheme applicants, participants and installers.

10. Impact

- 10.1 There is no impact on business, charities or voluntary bodies, given the RHI is a voluntary scheme.
- 10.2 There is no impact on the public sector, given the RHI is a voluntary scheme.
- 10.3 An Impact Assessment has not been prepared for this instrument.

11. Regulating small business

- 11.1 The legislation does not apply to activities that are undertaken by small businesses, given the RHI is a voluntary scheme.

12. Monitoring & review

- 12.1 The Department continues to monitor the performance and operation of both RHI schemes.

13. Contact

- 13.1 Neal Stewart at the Department for Business, Energy and Industrial Strategy, Telephone: 0300 068 5585 or email: neal.stewart@beis.gov.uk, can answer any queries regarding the instrument.