

# SOLTRAC FACTSHEET



## The Renewable Heat Incentive explained – so far

The Renewable Heat Incentive (RHI) is a government scheme to reward those producing heat from renewable energy. Labour planned it in 2010, but the Coalition Government completely revised the concept and at last in March 2011 set out the first details of how the scheme will work. This factsheet explains the funding for solar water heating (also called solar thermal) from what's been announced so far. In our view it's very welcome and much needed.

### KEY POINTS

- *Solar water heating is included;*
- *All installations commissioned after 15 July 2009 are eligible;*
- *Payments on commercial systems to start this year;*
- *Payments on domestic systems to start from October 2012;*
- *Premium Payments of £300 on domestic systems from July 2011, details in May, £15 million allocated;*
- *Payments will be made quarterly for 20 years, and adjusted each year according to the Retail Price Index;*
- *Only systems put in by MCS-accredited installers, using MCS-approved panels, will be eligible.*

The Government has committed £860 m to the RHI during this parliament, and expects it to lever investment in renewables of £4.5 billion. It will be funded from general Government spending, not through a levy on fuel bills as proposed by Labour. As well as solar water heating, it also includes support for ground-source heat pumps, biomass boilers and creating energy from waste.

Heating accounts for 47% of UK final energy consumption and 46% of UK carbon emissions. With the RHI, the Government intends that 12% of heating will come from renewable sources by 2020, saving 44 million tonnes of carbon emissions.

The scheme is modelled on the Feed in Tariffs for electricity from renewable sources. However, whereas many countries have Feed in Tariffs, the

government claims the UK is the first nation in the world to introduce a similar system for renewable heat.

### How will it be implemented? In two phases ...

The first phase, starting in July, covers the non-domestic sector – meaning industrial and commercial users, the public sector, not-for-profit organizations and communities.

The tariff for solar thermal is set at 8.5p per kWh (kilowatt-hour) generated, but this is based on 2010 prices and will be increased to reflect 2011 prices. Systems can be up to 200kW in size but anything over 45 kW will need certification other than through the Microgeneration Certification Scheme (MCS).

The heat provided must be useful, and not created just to claim the RHI. It must be used in a fully enclosed structure (presumably to exclude outdoor swimming pools). A new installation can replace an earlier one, but the equipment used must be new.

The heat will have to be metered and the meter calibrated and made tamper-proof, but details of how this will be achieved for solar water heating are not yet known.

Applicants will be able to apply for preliminary accreditation, i.e. submit plans before the system is installed. This would enable large users to be sure the scheme would be eligible once installed.

## Phase 2

The second phase, starting in 2012, adds the domestic sector. But this sector also gets special Premium Payments in 2011, see below. Solar thermal installations (commissioned after 15 July 2009) will receive quarterly payments for 20 years. The tariffs have not yet been announced but it is reasonable to assume they will be somewhere between the 8.5p for commercial schemes and the 18p in the original Labour proposal. (A typical Soltrac solar water heating system with 2 panels generates about 2000 kWh per year.)

Domestic is taken to mean “a single private residential dwelling”. It excludes multiple dwellings served by one heating system, and single dwellings that have been significantly adapted for non-residential use (e.g. a shop or a bed-and-breakfast).

### About both phases

The first review of the scheme will start in January 2014, with a view to setting tariffs for new entrants from 2015. Tariffs are likely to be reduced for new entrants in future years (called ‘degression’) to allow for falls in installation cost, but once an investment has been made, the tariff is fixed and will not decline. This concept, called ‘grandfathering’ (see box), provides certainty for an investor by setting a guaranteed support level for projects for their lifetime in a scheme, regardless of future reviews.

The intention is that payments will only be made to the owner of the installation. Unlike FITs they cannot be assigned to others. When a property with an installation is sold, the payments would then be transferred to the new owner.

The RHI will be administered by Ofgem, who will accredit the installations and make the payments.

#### ‘Grandfathering’

“The Government is committed to the principle of ‘grandfathering’, where support levels for existing installations are guaranteed. The intention of grandfathering is to provide certainty to those investing in renewable heat installations about the level of support they will receive under the RHI. This means that any changes to support levels resulting from a review would only affect new projects accredited on or after the date that new tariff levels are implemented. For example, if an installation is accredited from March 2015 and the tariff level received for that technology is changed in April 2015 following a review, that installation will continue to receive the same tariff level regardless of any change made. However, an installation accredited in May 2015 would be given the new tariff level.” (Extract from the Government’s publication “The Renewable Heat Incentive, March 2011”).

### The 2011 “Renewable Heat Premium Payments”

(Extract from the Government announcement). “As part of the first phase, the Government will also introduce Renewable Heat Premium Payments for the domestic sector. We have ring-fenced funding of around £15 million, which we will use to make premium payments to households who install renewable heating. These direct payments will subsidise the cost of installing qualifying renewable heating systems. In return for the payments, participants will be asked to provide some feedback on how the equipment works in practice and suppliers will be asked to provide a follow up service on any issues that are raised. This will boost confidence in the technology and the information we receive will help enable Government, manufacturers, installers and consumers to better understand how to maximise performance of the various technologies. The Renewable Heat Premium Payments will support a spread of technologies across all regions of Great Britain and will cover households using gas and other fossil fuels.”

Those receiving a “Premium Payment” will still be eligible for the RHI tariffs from 2012. Details will be announced in May with the aim of starting payments from July.

The press release states the “likely level” of Premium Payment for a solar thermal unit to be £300.

**“Renewable heat  
is common sense”**  
(Greg Barker, Minister of  
State, DECC)