The Domestic Renewable Heat Incentive – Ensuring a Stable Scheme

Assessment of Impact

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2 Executive Summary

1. The Renewable Heat Incentive (RHI) is an incentive scheme that is designed to increase the deployment of renewable heat installations across Great Britain. The Non-Domestic RHI (NDRHI) launched in November 2011, and the Domestic RHI (DRHI) launched in April 2014. The RHI schemes aim to develop the renewable heat market and supply chains so that they can support the mass roll-out of low carbon heating technologies in the 2020s and beyond, while contributing to the UK government's renewable heat targets and carbon budgets.
2. In preparation for the formal closure of the DRHI to new applicants in March 2022, the government is consulting with the public on reforms which will ensure the scheme delivers its objectives over the duration of the remaining lifetime of the scheme (final DRHI payments will be made in 2029). The proposed measures should ensure that scheme participants are protected, the scheme is robustly managed, and that the DRHI delivers ongoing value for money to the taxpayer.
3. This assessment of impact qualitatively assesses the marginal impacts of each reform being proposed in the consultation, against a counterfactual where the scheme is closed with no additional reforms. A qualitative approach has been taken because the reforms are designed to improve scheme administration and consumer experience – it would not be proportional to try to quantify any financial impacts as these would be marginal. This assessment of impact also separately considers the marginal impacts of a potential amendment to the NDRHI scheme; the introduction of tamper-proof seals for heat meters.
4. The assessment of the marginal impacts of proposed changes shows that overall reforms are likely to have a net positive impact, through delivering scheme administration and consumer benefits, and value for money for the taxpayer. We expect that the proposed reforms on biomass fuel quality standards and on maintenance standards would have a positive impact on air quality.

3 Introduction and Background

5. This assessment of impact supplements the consultation document on the closure of the Domestic Renewable Heat Incentive (DRHI)[1]. This introduction briefly outlines the context to the proposed changes, while the consultation contains a broader outline of the government's goals that underpin the legislative proposal.

The DRHI

6. The Domestic Renewable Heat Incentive (DRHI) was launched in April 2014 to facilitate and encourage the transition from fossil fuel-based forms of heating to low-carbon alternatives in homes. The scheme provides financial incentives to households, helping to bridge the gap between the cost of renewable heating systems and fossil fuel-based alternatives. The policy is available to homeowners, private and social landlords and people who build their own homes. RHI payments are made for seven years after accreditation on the scheme.
7. The DRHI was originally scheduled to close to new applications at the end of March 2021. However, in March 2020, the scheme was extended for 12 months, and the scheme will now close to new accreditation applications on 31st March 2022. After this date, the domestic renewable heat market will continue to be supported through planned schemes such as the

[1] Domestic Renewable Heat Incentive: ensuring a stable scheme

Clean Heat Grant scheme. The Clean Heat Grant scheme will provide capital grants to support installation of low carbon heating systems – heat pumps and (in targeted circumstances) biomass boilers – in homes and small non-domestic buildings.[2]

8. As of December 2020, according to our published statistics[3] there have been 84,707 accreditations to the DRHI scheme, of which 61% are Air Source Heat Pumps, 15% are biomass systems, 14% are Ground Source Heat Pumps and 11% are solar thermal systems. Installations accredited under the DRHI have an estimated capacity of 1,015.9 MW of heat and an estimated 5,587 GWh of renewable heat has been generated and paid for.

3.1 Rationale for Intervention

9. Traditional heating technologies such as gas, oil and direct electric heating, are cheaper yet more carbon intensive than renewable heating technologies. The RHI reduces the cost-differential between fossil fuel and renewable systems, hence incentivising the deployment of renewable technologies.

10. The changes proposed for the DRHI are largely administrative and technical amendments. They aim to ensure robust management of the scheme for the remainder of its lifetime, through administering the scheme more smoothly and future-proofing its operation until final payments are made in 2029. We also want to ensure that participants are protected from any undue adverse effects post-scheme closure. The reforms seek to:

    - Simplify scheme administration and operational delivery;
    - Improve the consumer experience for existing participants in the scheme;
    - Ensure robust management of the scheme for existing participants for the remainder of the DRHI payment term; and
    - Deliver ongoing value for money to the taxpayer.

11. Biomass annual maintenance checks should improve safety, and both the annual maintenance checks and proposed fuel quality standard should improve installation performance and air quality, therefore safeguarding consumers.

12. In the NDRHI, the government has been made aware of concerns that some participants may be tampering with temperature probes in their installations to falsely inflate the recording of heat generated and therefore increase their RHI payments. The government is considering a range of further options to tackle this issue and keep delivering ongoing value for money to the taxpayer, including possibly requiring tamper-proof seals to be fitted to existing NDRHI installations. The assessment of impact for this proposed reform is qualitatively assessed, as the extent of this issue is currently unclear and we are gathering further evidence at this stage.

[2] On 28th April 2020, the government consulted on the Clean Heat Grant scheme, and a government response to this consultation with more information regarding scheme design will be published during 2021.

[3] RHI monthly deployment data: December 2020 (Annual edition)

4 Policy Options

13. The policy options considered in this assessment of impact are:

    a. Option 0: (counterfactual): close the DRHI with no additional reforms to existing provisions and no further reforms to the NDRHI;

    b. Option 1: close the DRHI and implement additional reforms to the DRHI and the NDRHI.

4.1 Option 0: (counterfactual): close the DRHI with no additional reforms to existing provisions and no further reforms to the NDRHI

14. If the scheme is closed without additional reforms, we will forego the opportunity to deliver a smoother scheme administration and higher consumer benefits.

15. The Assignment of Rights (AoR) and Metering application routes would close by default, which would risk inefficient scheme administration, as the scheme administrator may be required to remove some installations from the scheme. For example, if an installation was deemed by the administrator to require metering after scheme closure, but the participant was not able to apply for metering, the scheme administrator may be forced to revoke their installation's accreditation. These scenarios would have a negative impact on consumer experience by potentially stopping DRHI payments to some participants.

16. Without the proposed reforms, consumers and wider society would not benefit from potential improvements in air quality, as a result of improving biomass fuel quality standards and introducing annual maintenance checks. In addition, the opportunity to improve scheme administration in certain areas would be missed. For example, without implementing these reforms the timescale for providing further information for Metering, Monitoring and Services Packages (MMSP) applications would not be reduced from 12 weeks to 28 days. The current timescale of 12 weeks means participants may receive accreditation, and therefore payments, later than otherwise possible.

4.2 Option 1: close the DRHI and implement additional reforms to the DRHI and the NDRHI

17. The proposed package of possible DRHI reforms for the scheme include:

- Allowing for updated versions of installation standards, calculators, and consumer codes of practice;
- Reducing the amount of reporting that BEIS will publish about the DRHI after it closes;
- Amending some of the processes around metering for payment, and metering and monitoring service packages (MMSPs) to make administration more efficient and flexible; and
- Introducing mandatory annual maintenance checks for biomass installations, and raising fuel quality standards, bringing the scheme in line with recommendations

made in the April 2020 government response to the 'Renewable Heat Incentive: biomass combustion in urban areas' consultation.[4]

18. The potential proposed NDRHI amendment covers the use of tamper-proof seals on non-domestic renewable heating installations, to prevent participants falsely inflating their recorded heat generation to increase their RHI payments.

[4] Renewable Heat Incentive: biomass combustion in urban areas

5 Analytical Approach

19. The analysis in this assessment of impact will cover the marginal impacts of proposed possible DRHI reforms (Section 5.2) and will separately consider the impacts of one possible NDRHI amendment, the introduction of tamper-proof seals for heat meters (Section 6.1).

20. The impacts of each policy proposal are qualitatively considered relative to a counterfactual where the scheme closes but no additional reform is applied, to show the marginal impacts of each reform.

21. For the purposes of this assessment, we discuss each individual proposed reform, to explain in simple and clear terms the impacts we anticipate from each proposal. We use a qualitative approach to assess the impacts that we expect from each proposal, because the reforms are designed to marginally improve scheme administration and consumer experience, and we did not consider it proportionate to quantify or monetise the impacts at this stage. We therefore do not present the impacts in terms of net present value.

22. The costs and benefits of each proposed change are assessed according to the following criteria:

    a. Consumer experience;

    b. Scheme administration;

    c. Other impacts not covered by the above.

6 DRHI closure and impacts of the proposed marginal reforms

23. The government proposes to end the main DRHI scheme by closing the following types of applications:

    1. Accreditation applications to become a participant in the main DRHI scheme; and

    2. Registration applications for Metering and Monitoring Service Packages (MMSPs). MMSPs are high specification metering packages which provide consumers with detailed information about the performance of their renewable heating system, whilst providing the government with performance data to assist in policy development.

24. After the closure of the main scheme, the government proposes to keep open the following DRHI application types:

    1. Authorisation applications for heat metering arrangements where the scheme administrator has determined that metering is required (‘metering for payment’); and

    2. Investor applications to become a Registered Investor for Assignment of Rights (AoR), the third-party financing scheme on the DRHI.

6.1.1 Accreditation applications

	Likely impacts of proposal
Proposal objective	We propose to close the scheme to new applicants for accreditation, so that it is not possible for new entrants to join the scheme and claim DRHI payments. This change would mean no

	further budgetary commitments would be made for new scheme participants.
Consumer experience	Applicants would no longer be able to apply for DRHI funding following scheme closure. Government will set out further details on planned successor policies such as the Clean Heat Grant in due course. There may be a surge in new accreditation applications leading up to the closure of the scheme. If the scheme closure surge results in a backlog of applications to be reviewed after scheme closure, consumers would have to wait longer for accreditation, having a negative impact on their experience. The scheme administrator may employ additional resources to mitigate this scenario, minimising or preventing any delays in processing accreditation. However, RHI payments would be backdated to the date that the application is made.
Scheme administration	A scheme closure surge may result in an increased administrative workload leading up to, and for a period after, scheme closure. The scheme administrator may have to recruit more temporary staff to process these applications, which would increase costs. After the scheme closes, the scheme administrator will have a number of accreditation applications that will still need to be assessed. An increased number of applications and therefore accreditations, resulting from a scheme closure surge, may necessitate an increase in audits for the scheme administrator over the lifetime of the scheme, which would increase their costs.

6.1.2 Metering and Monitoring Service Packages (MMSPs) applications

	Likely impacts of proposal
Proposal objective	We propose to close the scheme to new applicants for MMSPs, which provide data on the performance of a renewable heating system to the consumer and the government. In addition to an initial lump sum, participants who register for a MMSP receive quarterly tariff payments on the scheme to cover some of the costs of installation. This change would mean no further budgetary commitments will be made for new MMSP participants from April 2022.
Consumer experience	Consumers could still apply for MMSPs up until March 2022. After 31st March, MMSP applications would be closed. Theoretically, this could be seen to disadvantage scheme participants who post scheme closure wished to take out an MMSP package during the tariff lifetime of their existing scheme accreditation. However, the vast majority of MMSP scheme participants apply for their MMSP accreditation at the same time as their application to join the main scheme, so the overall impact is negligible and outweighed by the scheme administration and budget advantages of closing MMSP applications at the same time as accreditation applications.

Scheme administration	There may be an increased administrative workload leading up to, and for a period after, scheme closure. After the scheme closes, the scheme administrator will have a number of MMSP registration applications that will still need to be assessed.

6.1.3 Authorisation applications for heat metering

	Likely impacts of proposal
Proposal objective	While we are proposing to close the scheme to new accreditation and MMSP applications, we propose to keep applications open for metering. This would allow participants to obtain metering after scheme closure. This application route does not involve any budgetary commitments.
Consumer experience	Participants who the scheme administrator determine require metering at a date later than scheme closure, for example due to a change in circumstances or the result of an inspection, would be able to install metering for payment after scheme closure, and therefore remain accredited to the scheme. It may inconvenience consumers to no longer be paid through deemed payments, but this should be preferable to the alternative, which would be potential revocation from the scheme and payments ceasing permanently. Participants would still be able to benefit from payments for the actual heat that they generated.
Scheme administration	Overall, this proposal would likely lead to a significantly lower overall administrative burden compared to the counterfactual. Compared to the counterfactual, the scheme administrator would not have to potentially revoke accreditation of installations on the scheme which they deem to require metering after scheme closure, which would potentially involve an increased workload including dealing with appeals processes against revocation and possible further challenges. The small additional workload involved in processing authorisation applications after scheme closure would likely be more than outweighed by the reduction in workload involved in potentially revoking participants' accreditation who require heat metering post scheme closure.

6.1.4 Investor Applications in Assignment of Rights

	Likely impacts of proposal
Proposal objective	Although there would be no new accreditation applications to the DRHI after the proposed scheme closure, AoR agreements would still be transferrable between registered investors. This proposal would keep AoR investor applications open after scheme closure, maximising the pool of registered investors who can take on AoR agreements. This application route does not involve any budgetary commitments.

Consumer experience	Under AoR, consumers receive a free or significantly discounted heating system, with the upfront costs funded by the investor, in exchange for assigning the rights for their RHI payments to the Registered Investor. The consumer also has to comply with their ongoing obligations in the scheme. To transfer an agreement to another investor in the existing regulations, investors need to obtain consent from the participant. This may require a minor time commitment by the participant. The participant will continue to be required to comply with their ongoing obligations to the new Registered Investor. By maximising the pool of registered investors, this change would mean that if an AoR investor exits the market, it is more likely that another investor can take over and therefore maintain the consumer's experience on the scheme.
Scheme administration	Compared to the counterfactual, this proposal may place a minimal additional workload on the scheme administrator. This is because they would need to continue to process investor applications, which requires legal review, after closure.
Other impacts	Compared to the counterfactual, this proposal enables the largest pool of investors, and would help to ensure that where an investor wishes to exit the market, there is a choice of other investors to take on their agreements. This may diversify the types of finance being invested in the scheme by ensuring investors have flexibility to enter and exit the scheme when they choose.

6.2 Marginal reforms to the DRHI

25. This assessment of proposed marginal reforms does not cover sections of the consultation document which seek input from the public without proposing a specific change. An exhaustive list of proposed changes is available in the consultation document.

6.2.1 Replacement plants

	Likely impacts of proposal
Proposal objective	This proposal aims to clarify the procedure for claiming DRHI payments for the replacement of a heating system or parts thereof. This would formalise the use of Replacement Product Declaration Forms to ensure ongoing compliance when replacing a component of the heating system.
Consumer experience	We expect this proposal will improve the consumer experience by clarifying and giving more certainty around the process to follow when a plant or parts of it are replaced. As a result, the consumer experience to ensure compliance of the heat generating plant with the regulations will be easier, and the consequences of non-compliance will be also clearer.

Scheme administration	This proposal may improve scheme administration, as clearer rules for consumers replacing plants may result in fewer cases of involuntary non-compliance, which must in turn be investigated. The proposal would also allow the scheme administrator to enforce against non-compliance. However, by formalising this in the regulations it may reduce the administrator's flexibility in applying the rules for this matter.

6.2.2 Microgeneration Certification Scheme (MCS) installation standards, calculators, and consumer codes of practice

	Likely impacts of proposal
Proposal objective	This proposal aims to give MCS and the consumer codes the opportunity to update the standards, calculators, and codes of practice at scheme closure, so that should a replacement plant be required, the latest version of the standards, calculators, and codes are used.
Consumer experience	In the counterfactual, consumer codes and installation standards would not be updated to reflect the latest standards, which may lead to consumer protection issues. We expect this proposal will improve consumer experience by ensuring DRHI participants are protected by the most up-to-date standards and codes of practice published by MCS and the consumer codes respectively.
Scheme administration	This amendment means that any replacement plant would be installed to the latest version of the MCS standards and would be eligible for accreditation to the DRHI. It should reduce the risk of issues arising relating to a difference in the standards and codes referenced in the regulations, versus those in operation more widely.

6.2.3 Annual declarations

	Likely impacts of proposal
Proposal objective	This proposal aims to enable the scheme administrator to ask participants to provide additional information as part of the annual declaration, which confirms that certain eligibility criteria continue to be met. This is to help the scheme administrator identify and mitigate issues around non-compliance.
Consumer experience	RHI participants may have to spend slightly more time completing their annual declaration, increasing RHI participants' administrative burden. It would be important to ensure that the additional information required of participants is proportionate to the benefits to the scheme administration of having such information.
Scheme administration	This proposal may allow the scheme administrator to identify trends in non-compliance, by adding questions to annual declarations to seek further information in areas of concern.

	For example, if the scheme administrator's audit programme found numerous instances of secondary heating systems, a question within the annual declaration could be added or adapted to require participants to confirm that they do not have these secondary installations, or if they do, that they have already notified the scheme administrator. This may improve the robustness of scheme administration, through increasing the effectiveness of its audit process, as recurring examples of non-compliance with existing eligibility criteria could be identified and dealt with sooner. The marginal workload involved in composing and adding new questions would likely be more than outweighed by the reduction in time taken to investigate non-compliance, through identifying common cases of non-compliance earlier on in the scheme's lifetime. However, it is important to note that this proposal would only seek to identify non-compliance with existing scheme requirements and would not add any new requirements.
Other impacts	This proposal may improve value for money for the taxpayer, as more cases of non-compliance may be identified, and more undue payments may be recouped and prevented in the future as a result.

6.2.4 Metering

	Likely impacts of proposal
Proposal objective	Proposals relating to metering requirements aim to bring regulations in line with policy intent and improve scheme administration by suggesting the following changes: • Giving the scheme administrator more discretion when assessing whether metering is required on occupancy grounds; • Extending metering exemption for secondary plants heating only one room to cover those heating two rooms through a partition wall, bringing regulations in line with policy intent; • Changing the requirement that electricity meters must be installed by an MCS certified electrician to allow any qualified electrician to do this.
Consumer experience	The changes to metering regulations should improve the consumer experience, by reducing bureaucracy and simplifying scheme administration. For example, allowing metering for performance electricity meters to be installed by a qualified electrician should increase consumer choice and reduce costs. Allowing an installation that has a log burner that radiates heat to two rooms to continue to receive deemed payments will benefit consumers. Otherwise, in the counterfactual they would have been required to install metering for payment, with the accompanying cost and potential reduction in RHI payments.

Scheme administration	The proposals will simplify scheme administration and operational delivery, for example by providing Ofgem with more discretion for assessing occupancy. This will also ensure robust management of the scheme for existing participants, by making administration more efficient and flexible.

6.2.5 Proposals relating to Metering and Monitoring Service Packages

26. MMSPs are optional packages aimed at driving improvements in performance of renewable heat devices by monitoring the performance of heat pumps and biomass boilers. Although most of the proposals relating to MMSPs aim primarily at improving the scheme administration, the impact on consumer experience has also been assessed.

6.2.5.1 Providing further information for MMSP registration applications

	Likely impacts of proposal
Proposal objective	Under the current regulations, participants have up to 12 weeks to provide the additional information the scheme administrator requires to process MMSP registration applications. This proposal aims at aligning this timeframe with that of RHI accreditation i.e., 28 days, but would allow an extension of the deadline to three months in certain circumstances, where deemed necessary.
Consumer experience	If a shorter timeline results in more efficient processing of MMSP applications, participants might receive accreditation earlier and receive their first payments earlier. However, this proposal may have a minor negative impact on consumer experience if 28 days is not enough time to collect the information required and participants feel pressured by the deadline. This risk should be mitigated by the option to extend the deadline to three months, in certain circumstances.
Scheme administration	In the counterfactual, the length of the 12-week deadline in the current regulations may continue to result in delays in processing MMSP applications. This may become a significant issue in the counterfactual as, when approaching the scheme closure, there may be a surge in applications. By implementing this proposal and shortening this timeframe, scheme administration may be improved by making it more efficient to process MMSP applications.

6.2.5.2 Change of MMSP installers

	Likely impacts of proposal
Proposal objective	There is currently no comprehensive provision in the regulations for the scheme administrator to transfer a MMSP registration from one MMSP installer to another. For example, there is no provision for the transfer from a current MMSP installer to a new MMSP installer, should the current MMSP installer cease trading or exit the market before transferring their rights and obligations under their MMSP contract to the new MMSP installer. This proposal aims to establish a process to transfer MMSP agreements from an authorised installer to a new MMSP installer, without the need for a new MMSP registration application.
Consumer experience	Under the current regulations, consumers may be negatively affected if their MMSP installer changes and payments are suspended. This proposal would prevent the counterfactual scenario where payments would be interrupted, and therefore enhance the consumer's experience. The proposal may reduce the administrative burden for consumers, as they would not be required to submit a new MMSP registration form when changing installer.
Scheme administration	This proposal would streamline the process of changing MMSP installer for existing installations because the scheme administrator will only have to process the transfer to a new installer. This is more efficient than the counterfactual of potentially withdrawing participants' accreditation and processing new registration applications (especially as no new MMSP applications will be possible after the scheme closes on 31st March 2022).

6.2.5.3 Data collection

	Likely impacts of proposal
Proposal objective	This proposal aims to expand how MMSP data can be collected, so that BEIS, the scheme administrator (or an agent nominated by either organisation), are able to collect the data directly from MMSP installers, participants, data storage platforms or data controllers (wherever the data is stored), depending on the specific arrangements in place, and subject to General Data Protection Regulation (GDPR) compliance. The data provides BEIS with valuable insights regarding installation quality and system performance in different types of property over several years, and will inform future research and policy development. We are also considering whether to expand the authority of the scheme administrator to suspend payments and/or recover payments, and possibly even to withdraw MMSP registration from participants who do not comply with requests to provide access to

	their MMSP data (for example, where participants do not authorise the release of their data to BEIS if requested to do so).
Consumer experience	Consumers may be required to provide active consent for BEIS to collect their data from their data controller, which may involve a minor time cost. This minor administrative overhead is more than outweighed by their MMSP payments and access to their MMSP installation data. Their payments may potentially be suspended in cases of non-compliance, which would negatively impact the consumer experience. This proposal would also ensure the scheme is GDPR compliant at all times, therefore safeguarding participants' data.
Scheme administration	This proposal would improve the scheme administration by allowing BEIS to collect data from MMSP installers and data holders directly, which is simpler and more efficient than BEIS obtaining the data via the scheme administrator in the counterfactual. There could be a cost to the scheme administrator in enforcing against non-compliance.

6.2.6 Annual maintenance checks for biomass boilers

	Likely impacts of proposal
Proposal objective	This proposal aims to reduce the impacts of negative air quality from home heating emissions, by potentially requiring participants to carry out annual maintenance services to their biomass boilers, to ensure they run efficiently and safely.
Consumer experience	Consumers may face additional costs, which they were not expecting when they applied to the scheme, as they would have to pay a supplier once a year to perform the maintenance check on their biomass boiler. This may reduce the overall net financial benefit to scheme participants. We expect that some of the costs may be offset by the resulting improvement in boiler efficiency, as faulty or inefficient boilers will burn less fuel following maintenance work. Compared to the counterfactual where only some consumers perform annual maintenance checks, more consumers and wider society would benefit from improved boiler safety and air quality resulting from improved boiler efficiency.
Scheme administration	Sanctions for non-compliance are being consulted on, however there may be additional costs involved for the scheme administrator in monitoring and enforcing against non-compliance. It may be more efficient administratively to simply mandate that an annual maintenance check takes place in accordance with the boiler manufacturer's maintenance instructions.
Other impacts	Installers may see increased earnings from maintenance work commissioned by scheme participants.

6.2.7 Biomass fuel quality standards

	Likely impacts of proposal
Proposal objective	This change aims to contribute to the broader government objective of improving air quality, by introducing fuel quality standards to reduce emissions of harmful pollutants (for example, nitrous oxides and particulate matter).
Consumer experience	Higher-quality fuel may be more expensive than the fuel consumers used prior to this proposal. If an increase in fuel costs is only partially offset by the reduction in fuel burned arising from efficiency gains, DRHI claimants may face higher fuel costs. Using higher-quality wood fuel may increase the lifespan of biomass boilers: this represents a potential benefit to RHI participants, who would replace their boiler less frequently than if lower-quality fuel is used. The increase in fuel quality would result in air quality improvements relative to the counterfactual, due to lower emissions of damaging substances such as particulate matter, which would benefit consumers and wider society alike.
Scheme administration	The proposed change would be unlikely to increase costs for the scheme administrator.
Other impacts	There may be one-off costs to fuel suppliers in introducing the standard to (1) upgrade their processes to ensure that the fuel is of the right standards and (2) introduce quality management systems for auditing and quality testing in line with standards.

7 Non-domestic Renewable Heat Incentive

7.1 Tamper-proof seals for Non-Domestic RHI scheme participants

27. This section affects the NDRHI scheme only.

28. The government has been made aware of concerns that some participants may be tampering with temperature probes in their accredited RHI installations, to falsely inflate the recording of heat generated and therefore increase their RHI payments. The extent of this issue is currently unclear, and the government is working with the scheme administrator to investigate and gather further evidence. The government is considering a range of further options to address this issue, including possibly requiring tamper-proof seals to be fitted to existing installations.

Impacts of tamper-proof seals

	Likely impact of potential proposal

Proposal	This potential proposal aims to reduce scheme non-compliance in the form of falsely registering heat generation to increase RHI payments, to prevent poor use of government funding and safeguard taxpayers' money.
Participant experience	If tamper-proof seals were introduced, there would be a one-off cost incurred by scheme participants for purchasing and installing the seal.
Scheme administration	There may be additional costs for the scheme administrator, who could be responsible for managing a registration scheme for the seals and managing changes and replacements to seals, if we decided to introduce such a scheme, as well as potentially enforcing the requirement to install the seal. Any additional costs may be offset to an extent by a reduction in non-compliance compared to the counterfactual. There may also be wider potential benefits; for example the scheme administrator taking a tough stance on tamper seals could deter participants from not complying in other areas of the scheme, and so lead to an overall reduction in non-compliance.
Other impacts	If the government opts for introducing this measure, the key benefit that we anticipate would be a reduction in undue payments for NDRHI installations over the next twenty years, which would safeguard taxpayers' money. Suppliers may see increased earnings from work commissioned by scheme participants to produce and install the tamper-proof seals.

8 Conclusions

29. This assessment of impact, which accompanies the consultation on the proposed changes to the DRHI ahead of the scheme closure in March 2022, provides a qualitative assessment of the marginal impacts of proposed changes.

30. Proposed changes to the DRHI aim to future-proof the scheme. These reforms will ensure the scheme delivers its objectives, is robustly managed and delivers ongoing value for money to the taxpayer, while ensuring participants are protected, once the DRHI has closed to new applications.

31. The assessment of the marginal impacts of proposed changes shows that overall, reforms are likely to have a net positive impact, through delivering scheme administration and consumer benefits, and ongoing value for money for the taxpayer. For example, the ability to add additional questions to annual declarations would help the scheme administrator to better identify and mitigate issues around non-compliance and therefore reduce undue scheme payments. This would likely outweigh the marginal associated costs for the scheme administrator of adding the questions, and for participants of answering them.

32. We expect that the proposed reforms on biomass fuel quality standards and on maintenance standards would have a positive impact on air quality, though there would be associated costs for consumers with implementing these standards.

33. This assessment of impact is available to the public to aid their thinking when responding to the government consultation on ensuring a stable DRHI. The public is encouraged to share their views on the impacts of proposed changes.