Department for
Business, Energy
& Industrial Strategy

The Domestic Renewable Heat Incentive – ensuring a stable scheme

Government response to consultation

October 2021

Any enquiries regarding this publication should be sent to us at:
rhi.consultations@beis.gov.uk.

Contents

Introduction

Context

The Domestic Renewable Heat Incentive (DRHI) launched in April 2014. In November 2015, the government renewed its commitment to the transition to low carbon heating by confirming a continued budget for the DRHI until 2020/21,[1] and in March 2020, the Chancellor of the Exchequer extended the budget for the DRHI for another 12 months, to the end of March 2022.[2]

In February 2021, BEIS launched the consultation 'The Domestic Renewable Heat Incentive – ensuring a stable scheme.'[3] The consultation proposed closing the DRHI to new accreditation and registration applications at the end of March 2022, and taking the opportunity to introduce some administrative and technical reforms at scheme closure. The consultation ran from 26 February to 7 May, and received 20 responses from individuals, businesses, trade bodies and other organisations.

Building on the responses that we received to the consultation, and further policy development work, this document confirms the government's intention to close the DRHI to new accreditation and registration applications at midnight at the end of 31 March 2022, and explains the reforms to the scheme that we intend to introduce at scheme closure. We intend to legislate to enact these measures at midnight on 31 March 2022.

The document also includes a response to the questions asked in the consultation regarding proposed requirements for the use of tamper-proof seals in the non-domestic RHI (NDRHI) scheme.

Summary of the government response to stakeholder feedback

Scheme closure

We intend to implement the proposals in the consultation document to close the scheme to new accreditation and registration applications on 31 March 2022. The DRHI scheme has delivered significant achievements, and has helped many households transition away from fossil fuels to low carbon heating. As of September 2021, 93,857 low carbon installations had been accredited to the scheme. Of these low carbon heating systems, 60,174 (64%) are air source heat pumps, 12,459 (13%) are ground source heat pumps, 12,303 (13%) are biomass boilers and pellet stoves, and 8,921 (10%) are solar thermal installations.[4] By the time the

[1] Department of Energy and Climate Change's settlement at the Spending Review 2015

[2] Extension of the Domestic Renewable Heat Incentive scheme (DRHI) for an additional year until 31 March 2022

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

[4] RHI deployment data: September 2021

scheme closes, approximately 100,000 low carbon heating installations will have been accredited to the scheme.

The total lifetime spend of the DRHI was estimated at £1,248 million as of September 2021, of which £1,117 million is committed spend, and £131 million is future deployment.[5] It is estimated that the DRHI will abate 11 MtCO2e and support the production of 32 TWh of low carbon heat over the scheme's lifetime.[6] The scheme is therefore responsible for preventing the production of a significant amount of carbon emissions that would have otherwise been generated by domestic heating.

The DRHI has also supported the development of both product and installer supply chains, helping to develop industry so that there is capacity for expansion in deployment in the 2020s. In addition, via its requirement for installers to be Microgeneration Certification Scheme (MCS) certified and for MCS product and installation standards to be complied with, the scheme has helped to raise the quality of low carbon heating installations, protect consumers, and improve consumers' experience with low carbon technologies. The DRHI has also helped to raise consumer awareness and understanding of low carbon technologies.

To enable a wider transition away from fossil fuel heating and achieve the ambition set out in the Prime Minister's Ten Point Plan of installing 600,000 heat pumps per annum by 2028, new policy levers and incentives will be required.[7] The successor scheme to the DRHI, the Boiler Upgrade Scheme (BUS), formerly called the Clean Heat Grant, is expected to launch in April 2022. The BUS is a more conventional grant scheme, designed to overcome the barrier of the applicant having to pay for the upfront cost of the purchase and installation of the low carbon heating system, which has been recognised as a barrier to deployment in the DRHI. The level of support that the BUS will provide has been increased from the levels proposed in the original consultation. The starting grant levels will be £5,000 for air source heat pump and biomass installations, and £6,000 for ground source heat pump installations. More details of the BUS scheme can be found in the BUS government response, which was published in October 2021.[8]

The government has also announced additional programmes intended to decarbonise domestic heat generation. The Social Housing Decarbonisation Fund (SHDF) is a £3.8 billion scheme that will upgrade a significant amount of the social housing stock currently below Energy Performance Certificate (EPC) C, up to that standard. It will help to deliver warm, energy-efficient homes, reducing carbon emissions and fuel bills, tackling fuel poverty, and supporting green jobs. The government has announced that up to £160 million for the first wave of the £3.8 billion manifesto commitment will be available in financial year 2021 to 2022.[9] The bidding window for Wave 1 closed on 15 October, and the outcome of bids is anticipated by the end of 2021. The SHDF received a further commitment for £800m in the

[5] Internal BEIS analysis using data from September 2021

[6] Internal BEIS analysis using data from December 2020

[7] Ten Point Plan for a Green Industrial Revolution

[8] Future support for low carbon heat

[9] Apply for Wave 1 of the Social Housing Decarbonisation Fund

October 2021 Budget and Spending Review, providing funding from the financial year 2022/2023 to 2024/2025.

The October 2021 Budget and Spending Review also announced £950 million to be allocated to the Home Upgrade Grant (HUG), which will be delivered from April 2022 to March 2025.[10] The £950 million allocation builds on an initial £150 million that was allocated to HUG in the 2020 Spending Review, and is packaged alongside a £200m third tranche of Local Authority Delivery (LAD) as a £350m Sustainable Warmth competition, which closed to local authority applications on 4 August 2021. The £150m first phase of the HUG is expected to run from early 2022 to March 2023. The HUG aims to provide energy efficiency upgrades and low-carbon heating to low-income households living off the gas grid in poorly performing homes, both to tackle fuel poverty and meet the Government's net zero ambitions.[11]

The government is also providing support for the deployment of low carbon technologies via the current Energy Company Obligation (ECO) scheme. ECO3, worth £640 million per annum, sets an obligation on larger energy suppliers to install energy efficiency and heating measures in the homes of low income and vulnerable households in Great Britain. The government recently consulted on the design of the successor scheme (ECO4). As announced in the Sustainable Warmth Strategy, ECO4 will increase in value to £1bn per annum, and will continue to focus on low income and vulnerable households, targetting EPC bands D-G properties and providing greater support to those living in the least energy efficient homes. ECO4 will complement other grant schemes including the HUG, and the LAD schemes.[12]

The Heat and Buildings Strategy (HBS) policy package was also published in October 2021.[13] The HBS sets out the government's long term and comprehensive plan to decarbonise heat in buildings in the late 2020s and beyond, using 5 core principles:

- taking a cross-cutting holistic approach (considering the needs of the whole building and the whole energy system)
- using research and development to drive innovation and inform strategic decisions
- accelerating no-and low-regrets action that will be needed in any path to net zero
- providing market stability (through clear signals for investment) while embedding flexibility (reflecting the need for different approaches and technologies to decarbonise different buildings)
- targeting support to those most in need

Many of the responses to the consultation that expressed apprehension about the closure of the DRHI were worried that the scheme was closing without any future government support in place. There were concerns raised about the negative impact this would have on supply chains and the future of the low carbon heat industry. The recent announcements for the low carbon heat market, and the publication of the BUS government response and HBS, should have addressed those concerns and reassured both industry and the public that the government is

[10] October 2021 Budget and Spending Review announcement

[11] Sustainable Warmth Competition: Guidance for Local Authorities

[12] Sustainable Warmth: Protecting Vulnerable Households in England

[13] Heat and buildings strategy

committed to both a long-term strategy, and a just and fair transition for decarbonising heat. The Heat and Buildings strategy and associated policies create a comprehensive plan to support households and businesses, develop the installer supply chain, and deliver our carbon budget and net zero targets.

Other measures and reforms

DRHI payments are made quarterly in arrears for 7 years. Consequently, although the scheme is closing to new applications in 2022, final DRHI payments will be made in 2029. Therefore, in addition to closing the DRHI to new applications, the consultation also proposed introducing a number of largely technical and administrative changes at scheme closure, to make the scheme easier to administer, and improve the experience of participants, until DRHI payments finally cease.

In general, the responses agreed with the amendments we proposed. On consumer protection, respondents were broadly supportive of the current consumer protection measures, but concerns were expressed about potential problems in the lead up to the closure of the scheme. We acknowledge those concerns and plan to work with MCS, the consumer codes, and the scheme administrator to ensure that consumers are protected.

With regard to scheme administration, we intend to expand the scheme administrator's ability to ask additional questions as part of the annual declaration process, and enable MCS and the consumer codes to update their standards, codes of practice and other documentation that are mentioned in the regulations. We also intend to introduce the requirement for scheme participants to inform the scheme administrator when repairs are carried out, so that they are able to determine whether a replacement plant or replacement product procedure is required.

In relation to metering, we will continue to keep authorisation applications open, and will enable the scheme administrator to use their discretion in exceptional circumstances, when deciding whether scheme participants are required to switch to metering for payment due to non-compliance with the 183 day occupancy rule. We will also enable properties where a secondary plant is located within a partition wall and provides heat to 2 rooms (for example, a log burner), to remain on deemed payments. However, we have decided not to amend the requirement for electricity meter installers to be MCS certified.

On Metering and Monitoring Service Packages (MMSP), we intend to change the deadline for providing further information for MMSP registration applications to 12 weeks from the date that the scheme administrator made its first request for additional information. We will also add a process for changing MMSP installers, and enable BEIS and the scheme administrator to obtain MMSP data from wherever the data is stored, while ensuring compliance with the UK General Data Protection Regulation.

After careful consideration, we have decided not to make the new MCS biomass maintenance standard mandatory, though we will be working with the scheme administrator to support its use. However, we do intend to mandate the biomass fuel air quality requirements that are being introduced to the Biomass Suppliers List in April 2022, in line with the NDRHI scheme.

This government response also confirms the proposals in the closure consultation document to simplify and reduce the number of reports BEIS and the scheme administrator publish about the scheme post-closure. Additionally, it seeks views on a suggestion that we received in the

consultation responses regarding a further amendment that could be made at scheme closure. This would amend the regulations that govern what happens when a property is transferred to a new owner. Currently, when the scheme administrator is informed of a change of owner, DRHI payments are suspended until the scheme administrator is satisfied that the installation is still eligible, and registration is transferred to the new owner. RHI payments then resume, calculated from the day that the scheme administrator completes its investigation. The proposed change would be to backdate the DRHI payments to the date that the scheme administrator was advised of the change of ownership by the new owner. This is a minor amendment that would help scheme administration while benefiting scheme participants who may otherwise lose out on DRHI payments during the transfer of ownership process if there are delays. Please direct any enquiries or comments on this proposal to rhi.consultations@beis.gov.uk by 30 November 2021.

Because the scheme is closing, and due to the nature of the reforms that we are making, it was not judged necessary to update the Impact Assessment that was published with the closure consultation. BEIS will continue publishing reports on and evaluation about the DRHI post-scheme closure.

The DRHI closure consultation also sought views on the proposed requirements for the use of tamper-proof seals in the NDRHI. After carefully reviewing the responses and extensive discussions with industry, this document confirms BEIS's decision not to mandate the use of specific tamper-proof seals on the NDRHI at this time.

Closure of the Domestic RHI scheme

Closing the DRHI scheme to new accreditation and registration applications

Consultation proposal

The consultation explained that there are four types of applications that can be made to different parts of the DRHI scheme. These are:

1. Accreditation applications to become a participant in the main DRHI scheme
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 low carbon heating system, whilst providing the government with performance data to assist in policy development
3. Authorisation applications for heat metering arrangements, where the scheme administrator has determined that metering is required ("metering for payment")
4. Investor applications to become a Registered Investor for Assignment of Rights (AoR), the third-party financing scheme on the DRHI.

The consultation proposed that the scheme should close to new accreditation and new registration applications on 31 March 2022. These application types allow new entrants onto the scheme, thus incurring budgetary commitments, and no budget for new installations has been allocated to the scheme after March 2022.

Questions

1. Do you agree or disagree with the proposal to close the DRHI to new accreditation applications on 31 March 2022?

2. Do you think that MMSP registration applications should close at the same time as accreditation applications to the DRHI?

Summary of responses

There were 17 responses to question 1. Of these responses, 3 "Agreed" with the proposal to close the DRHI to new accreditation applications on 31 March 2022, 8 "Disagreed" with the proposal, and 6 "Neither agreed or disagreed".

A number of written responses noted their support for the DRHI being replaced with the BUS, stating that it will help to address the issue of the up-front cost barrier associated with the DRHI. These responses agreed that, moving forward, a system of flat rate grants will be simpler to administer, and easier for consumers to understand.

However, most of the responses to question 1 raised concerns for the future of long-term government support for the domestic low carbon heat industry. Respondents argued that the government has only announced short-term support, with the BUS described by one

respondent as a transition policy. Respondents argued that without a long-term plan announced, the low carbon heat industry would not be able to re-invest and grow at a sustainable pace. Three respondents highlighted the risks to their businesses of the scheme closing without clear long-term replacements. Many respondents requested clear communication from the government on the long-term plans to support the domestic low carbon heat industry. They argued that this would help mitigate concerns for future funding after the closure of the DRHI and would enable certainty to encourage investment into the industry. Some respondents therefore requested that the DRHI be extended, until long-term plans to support the domestic low carbon heat industry are announced. One response noted that the government has set a precedent for extending the DRHI, when it was extended in 2020 by an additional 12 months.

A number of the responses also requested that, should the scheme be closed to new applicants on 31 March 2022, it should continue to be effectively administered until the last DRHI payment is made in 2029. These responses highlighted that the consumer codes, MCS, and the scheme administrator will continue to receive complaints and queries from participants up until 2029.

Two respondents requested a one month grace period, to avoid a hard cut-off date for scheme closure. They stated that, after a low carbon heating system has been installed, consumers can wait up to 14 days for the necessary documents to enable them to submit an accreditation application to the DRHI. They highlighted that consumers who have a heating system installed in the month before the closure of the scheme could miss the deadline. Responses also stated that a grace period would prevent installers rushing installations and consumers being negatively impacted by the rushed work.

One response suggested that the government could follow up with DRHI participants after the closure of the scheme. They stated that the government should investigate users' experience with low carbon heating systems and use the result of this research to feed into future policy making.

We received 11 responses to question 2. Of these responses, 6 selected "Yes" to the proposal to close the scheme to new MMSP registration applications at the same time as new accreditation applications to the DRHI. Of the remaining responses, 4 selected "No" and 1 selected "Don't know". In general, respondents agreed that it would prevent confusion by closing the scheme to new MMSP registration applications at the same time as accreditation applications. One response noted that, by closing to both types of applications at the same time, it will be easier to communicate the closure to consumers. Respondents also recognised that keeping MMSP registration applications open would require further budgetary commitments.

However, 2 responses disagreed with the proposal to close the DRHI to new MMSP registration applications at the same time as accreditation applications, stating that MMSPs provide valuable data on the performance of low carbon heating systems. They highlighted that this data could be used by the government to assist in future policy development and is an important monitoring tool in the roll out of renewables, decarbonising homes and reaching the net zero target.

Similarly to question 1, 2 responses requested a grace period to the closure of MMSP registration applications. Respondents stated that consumers could be negatively affected by

rushed installations, or by delays in receiving the necessary documentation from installers to submit their applications.

Government response

The government's intention is to close the DRHI scheme to new accreditation and registration applications as scheduled at midnight at the end of 31 March 2022. When the DRHI scheme launched in 2014, the intention was to close the scheme after 7 years in 2021, and the 2015 Spending Review allocated funding for both domestic and non-domestic schemes until 2021. The NDRHI scheme did close to new applications as originally scheduled on 31 March 2021. However, in the 2020 budget, a 12 month extension to the DRHI was announced, and the scheme is now scheduled to close at midnight at the end of 31 March 2022. As set out earlier in this document, the government response to the Boiler Upgrade Scheme and the Heat and Buildings Strategy have now been announced.

Two respondents to the consultation requested an additional grace period post-31 March, to allow prospective applicants more time to apply. After considering this suggestion, we have decided not to have a grace period and to close the scheme to all applicants at midnight at the end of 31 March 2022. All new accreditation applications must be made to the scheme administrator by that time. There is a risk that a grace period would itself cause confusion as to what the real deadline is, and we think that it is important to have clear delineation between the closure of the DRHI and the launch of the BUS. Therefore, to be successfully accredited onto the DRHI, a plant must meet the DRHI eligibility criteria, be commissioned by the MCS certified installer, and a properly made accreditation application must be submitted to the scheme administrator by midnight at the end of 31 March 2022. The final payment period for the DRHI will end on 31 March 2029. We will work with the scheme administrator and other delivery partners to communicate clear messaging about the closure of the scheme in the run up to 31 March 2022.

It is also our intention to close the scheme to new MMSP registration applications at midnight at the end of 31 March 2022. No budget has been allocated to pay for additional MMSPs after 31 March 2022 and keeping new MMSP applications open after this time would also incur operational costs for the scheme administrator. Closing new registration applications at the same time as new accreditation applications should also prevent unnecessary confusion for prospective applicants, as all applicants will need to submit their accreditation application and associated MMSP registration application to the scheme administrator by midnight at the end of 31 March 2022.

Investor applications to become a Registered Investor

Consultation proposal

The closure consultation proposed that AoR investor applications ("investor applications") will remain open after 31 March 2022.

AoR provides a way for householders and organisations to overcome the upfront costs of purchasing and installing a low carbon heating system. In the accreditation application, applicants can nominate a Registered Investor, who has funded the majority, or all, of the purchase and installation costs of the low carbon heating system to receive the DRHI payments for that installation.

Investors may wish to transfer their AoR agreements with existing participants to other Registered Investors (for example, if the first investor wishes to exit the scheme). Transferring between Registered Investors will continue to be possible after scheme closure.

To enable the largest possible pool of Registered Investors, the consultation proposed keeping investor applications open until September 2028, which is the final time that an AoR investor can transfer installations to another AoR investor. Keeping registration applications open after the main scheme closes to new applications will not lead to more participants joining the scheme, does not have a budgetary impact, and is helpful for scheme administration.

3. Do you think that AoR investor applications should remain open after 31 March 2022?

Summary of responses

We received 13 responses to question 3. Of these responses, 9 selected "Yes" to the proposal to keep AoR investor applications open, 2 selected "No", and 2 selected "Don't know". Overall, respondents were in support of keeping AoR investor applications open after 31 March 2022. Most respondents agreed that keeping these applications open would allow for new investors to register and take responsibility for existing agreements if an investor wished to exit the market. This would enable flexibility for investors and enable investors to transfer AoR installations between each other (with the approval of that installation's RHI participant).

One respondent who selected "No" stated that AoR was not needed as most homeowners can borrow the money needed for a low carbon heating system at a better rate than AoR investors are able to offer. Another respondent stated that the introduction of the BUS would mitigate the need for AoR, and therefore AoR applications should close to encourage full uptake of the BUS instead.

Two respondents suggested that if AoR investor applications are kept open, then the scheme administrator should closely watch the changing landscape of the low carbon heat market. They noted that the market may experience an increased number of energy aggregators looking to invest in heat pumps. These respondents requested that the scheme administrator continues to carefully vet potential investors against the scheme's eligibility requirements. Two

other respondents also highlighted the importance of new investors continuing to be required to be a member of a Chartered Trading Standards Institute (CTSI) approved consumer code.

Government response

There will be no new accreditation applications to the DRHI after scheme closure, including via AoR. However, it is the government's intention to keep AoR investor applications open after 31 March 2022. Investor applications do not lead to more installations joining the scheme, so there are no budget implications from leaving this application type open.

The scheme administrator will continue to carefully monitor new investor applications, and applicants will be expected to meet the eligibility criteria (for example, being a member of a consumer code) set out in the DRHI regulations. Due to the time it takes to register as an investor with the scheme administrator, we will close the scheme to new investor applications at midnight at the end of 30 June 2028. This will allow for a 6 month investor registration process in advance of the final quarterly RHI payment period (1 January to 31 March 2029).

Consumer Protection

Consultation proposal

Consumer protection is a critical part of the DRHI. This is why plants must be installed to the relevant MCS (or equivalent) installation standard by an MCS (or equivalent scheme) certified installer (subject to the MCS rules on sub-contracting), who is responsible for the installation. To be a member of MCS, an installer must also be a member of a CTSI approved consumer code such as the Renewable Energy Consumer Code (RECC) or the Home Insulation and Energy Systems Consumer Code (HIES). Registered investors for AoR are also required to be a member of one of these codes.

The consultation asked respondents to consider whether the current consumer protection measures in the DRHI were sufficient, and whether there were any additional risks that scheme closure would introduce. We also asked whether any additional consumer protection measures should be introduced at scheme closure.

Questions

4. Do you consider that the current consumer protection measures that are in place in the DRHI are sufficient?

5. What do you consider to be the main consumer protection risks post-scheme closure and how might they be mitigated?

6. What additional consumer protection measures might be introduced that would protect consumers in the DRHI?

Summary of responses

We received 13 responses to question 4. Of these responses, 6 respondents selected “Yes”, declaring that they consider that the current consumer protection methods to be sufficient. Of the remaining responses, 4 selected “No” and 3 selected “Don’t know”. Although most of the responses agreed that the current measures are sufficient, there were several concerns raised.

Responses from those who agreed that the current consumer protection measures are sufficient highlighted that all plants are required to meet MCS standards as part of their eligibility criteria, and that MCS certified installers working with domestic customers must also be members of a CTSI approved consumer code. One response stated that the consumer codes and MCS provide a comprehensive framework for consumer protection, with another response stating that the inclusion of MCS standards also maintains consumer confidence in the industry. One response also noted that the recorded customer satisfaction levels on the RHI are high.

However, 5 responses to question 4 and 6 responses to question 5 raised concerns relating to fraud and mis-selling post-closure. Specific examples highlighted by respondents included:

- pressurising consumers to sign contracts in a hurry, without due consideration, in view of the closure of the DRHI

- falsely claiming to be MCS certified and/or members of a CTSI approved consumer code
- signing off on sub-standard installations carried out by other installers
- commissioning the system before it is complete (or even before it has been installed at all)
- misrepresenting DRHI eligibility rules
- providing false information to the certification bodies and the scheme administrator
- failing to put in place an insurance backed warranty
- inflating the price of installing a system
- installers continuing to sell products to consumers who are not aware the DRHI has closed

Responses noted that there is likely to be an increase in these behaviours in the lead up to scheme closure, with one response stating that having a link to a government grant gives fraudulent businesses a mechanism to make their offers appear credible. Two responses also highlighted that, without the DRHI, installers may set up their own financial products with no consumer protection.

Several responses stated that consumer protection risks are likely to relate to the ongoing functioning of the installation. These responses emphasised the importance of consumers being able to access repairs and replacements throughout the lifetime of the scheme. Responses also stated that participants need to understand their rights and obligations regarding repairs and replacements, particularly if the work needs to be carried out by an MCS certified contractor, and if any work could invalidate the participant's compliance with the scheme rules. Two responses similarly noted that there can be problems for consumers when an installation stops working but the installer has exited the market. In such cases, it can lead to a burden being placed on the participant where it is not their fault. One response stressed that there must be clear mechanisms for consumers to seek redress in these scenarios.

Respondents were also concerned that by closing the DRHI, the regulations and consumer protections that are required under the scheme will disappear with it. For example, several responses noted that without the DRHI and the need to be MCS certified, installers may de-register from MCS. This may result in participants being unable to find MCS registered installers in their area, which will make it difficult for participants to find certified installers to carry out repairs or replacements. This could also create consumer protection issues for consumers who install low carbon heating systems outside of the DRHI scheme.

Question 6 asked what additional consumer protections could be introduced that would protect consumers on the DRHI.

To reduce consumer protection risks relating to repairs/replacements, one response stressed the importance of maintaining a right to repair for the installation's lifetime on the scheme. Two responses stated that all repairs/replacements should be completed to the current standards, and that therefore the requirement for installers to be MCS certified and a member of a CTSI approved consumer code should remain. As part of this, 2 responses stated that there should be improved collaboration between MCS, the consumer codes and the certification bodies to ensure participants do not slip between the gaps.

A number of responses noted that in order to detect fraudulent activity and mis-selling, there should be an increase in monitoring by all parties in the lead up to scheme closure. This could

include random site inspections, monitoring registrations on the MCS installation database, and increased due diligence checks on applications. Responses emphasised that any irregularities or unusual patterns of behaviour picked up should be thoroughly investigated. Several responses also stated that stronger investigation and enforcement of breaches could be used to deter fraudulent activity and mis-selling. For example, one response requested that when one installation is found to be non-compliant, a full investigation should be carried out into all installations fitted by the same installer. One response also suggested that there should be clear powers to investigate fraud and mis-selling under consumer protection regulations.

Responses also highlighted the need for a campaign to raise awareness of the closure of the DRHI with consumers, to prevent mis-selling at scheme closure. These responses requested clear, consistent, and timely messaging from all parties to ensure participants are fully informed and to mitigate any confusion. Similarly, responses requested that consumers have easy access to advice and assistance throughout the lifetime of the DRHI, with a clear path for who they should speak to when things go wrong. Two responses noted that this is particularly important for vulnerable customers, who may require additional support. One response also suggested that further education on the role of the consumer codes would be helpful for participants.

One response suggested the development of a 'Low Carbon Skills Card', to provide reassurance to consumers that the installer has the required credentials. This respondent also suggested that installers could be required to undertake Continuous Professional Development activities to maintain high quality standards across the industry.

Government response

Consumer protection is a vital part of the DRHI. While the consensus from respondents was that the current consumer protection measures in the DRHI are broadly sufficient, concerns were raised about the risk of fraud, mis-selling, and the possibility of large numbers of poor quality installations being installed in a rush ahead of scheme closure. There could also be a risk of confusion about which scheme to join, with the launch of the BUS expected soon after the closure of the DRHI.

To mitigate the impact of the issues raised in response to our consultation questions, we intend to work closely with the consumer codes, MCS, the scheme administrator and other organisations in the lead up to scheme closure. MCS and the scheme administrator will focus their audit and compliance programme on low carbon heating systems installed in the period before scheme closure, and will publicise that they are doing so to deter fraudulent or mis-selling activities. We expect the issue where there are installation problems but the installer is no longer trading, to be at least partially mitigated by MCS mandating and enforcing that all installations certified by their scheme must have an insurance backed warranty that is valid for at least 2 years. This has long been a requirement by the consumer codes, but had not previously been enforced by MCS. MCS are now doing so, as part of their effort to continuously improve consumer protection. We also expect this issue to be further addressed in MCS's consumer protection review, set to take place later this year.

The scheme administrator will also publish comprehensive guidance on the scheme's closure, as well as update their current guidance to reflect the policy proposals discussed in this general response. All of the delivery partners (Ofgem, MCS, HIES, RECC and BEIS) will collaborate so that communications to both industry and consumers are consistent. We will

attempt to communicate to as wide an audience as possible, so that members of the public considering whether to participate in the scheme have access to information about the scheme closing.

All repairs and replacements on DRHI installations will still be required to be undertaken by an MCS certified installer, to ensure continued consumer protection on the scheme. As outlined above, the government remains committed to the deployment of low carbon heat. We therefore consider that there will still be significant demand for MCS certified installers in the low carbon heat market, and the risk of installers exiting the market when the DRHI closes is low. Consumers should therefore still be able to find MCS certified installers to undertake any repair work.

Scheme administration

Replacement plants

Consultation proposal

During the 7 year period in which a participant receives RHI payments, part or all of a low carbon heating system may need replacing. Under the current regulations, where an entire plant is replaced, the applicant must make a new accreditation application. This normally requires a new MCS certificate and commissioning date. However, when only part of a heating system is replaced, new MCS certificates are only produced in a very limited number of circumstances.

To ensure ongoing compliance in these cases, the scheme administrator has developed a 'Replacement Product Declaration Form'. A 'product' is defined by the scheme administrator as the renewable heat generating component(s) of the system. This approach was the subject of a consultation by the scheme administrator, which was piloted from August 2019.[14] A final decision was published in January 2021,[15] once the pilot had proven the process was workable. The form must be completed (or signed) by an MCS certified installer, and the participant must submit the completed form as part of their ongoing obligations. The form allows the administrator to confirm that replacement products are MCS certified and comply with the regulations, and that RHI payments continue to be calculated accurately.

We considered changing the regulations to reflect this approach, and to clarify the position of the scheme in relation to the replacement of parts of plants. As part of this, we proposed introducing the concept of a 'replacement product' into the regulations and making provision about the information that the scheme administrator requires to be submitted to ensure ongoing compliance. However, as the scheme administrator's process is already in place, we asked whether formalising the process in the regulations was required.

Question

7. Do you think that the scheme administrator's current operational approach to replacing part of a plant should be formalised within the regulations by introducing the concept of a replacement product?

Summary of responses

We received 8 responses to this question, with 7 respondents selecting "Yes", 0 selecting "No", and one selecting "Don't know". There was strong support for formalising the scheme administrator's replacement product process in the regulations, including in the written responses. Respondents noted that adding the scheme administrator's operational process into the regulations would reduce policy ambiguity and provide clarity and certainty for

[14] Open Letter on the 'Replacement Product Declaration Form'

[15] Response following the open letter on the introduction of the 'Replacement Product Declaration Form'

consumers and businesses. One response stated that codifying this process in the regulations will ensure that quality standards are upheld, safeguarding energy efficiency and carbon savings. Another response highlighted that, although the current process is working on its own, codifying it in the regulations would protect consumers and reduce risk to the scheme if external parties changed their operational processes.

One response recognised that adding the operational process into the regulations would reduce flexibility for the scheme administrator to alter its approach in the future. However, this response noted that, as the DRHI will only be operating for a short period of time, the advantages of formalising the approach outweigh the loss of flexibility. One response also requested that it is made clear who will be responsible for enforcing the policy, as it covers both the scheme administrator and MCS operations.

Government response

After extensive discussions with the scheme administrator and MCS, and carefully considering the consultation responses, we have decided to make some changes to the regulations to ensure that the scheme administrator can obtain the information required to ensure ongoing compliance in these cases. However, we will not formalise the detail of the process in the regulations to allow for future flexibility (for example should MCS's procedures change post scheme closure).

We intend to add an ongoing obligation in the regulations that will require participants to notify the scheme administrator if a repair is carried out on the low carbon heating installation, or if any part of the installation is replaced. There is already an ongoing obligation to inform the scheme administrator if all of the installation is replaced. The new ongoing obligation would enable the scheme administrator to request any information that it requires regarding the repair/replacement from the participant. From the information provided, the scheme administrator would determine whether the remedial work was a simple repair, or whether the replacement product or replacement plant procedures should be followed. The scheme administrator would then instruct the participant how to proceed.

If the scheme administrator determines that the remedial work is a simple repair, a light touch approach may be taken to ensure compliance. If the scheme administrator determines that the replacement product process should be used, then it will send a Replacement Product Declaration Form to the participant to be completed (or at least signed) by the MCS installer. If the scheme administrator determines that the replacement plant process should be followed, the existing replacement plant procedure in the current regulations will be followed.

This amendment will allow the scheme administrator to manage the process of replacing part of a low carbon heating system, while giving the scheme administrator and MCS operational flexibility to amend procedures in the future without requiring an amendment to the RHI regulations. The scheme administrator will work with MCS so that their installers are aware of the form and understand the scheme administrator's requirements when completing it. MCS also intend to publish guidance for their installers on their website.

MCS installation standards, calculators, and consumer codes of practice

Consultation proposal

Several standards, calculators and consumer codes of practice are listed in the regulations. The regulations explicitly refer to the current MCS installation standards and code of practice version numbers, and the dates that these versions came into force. This means that if relevant standards are updated by MCS, or codes of practice are updated by the consumer codes, the new versions can only be used if the regulations are amended to allow for their use. Similarly, the regulations list the versions of the MCS024 Solar Domestic Hot Water Energy calculator and the MCS026 System Co-efficient of Performance calculator and the respective dates that they came into force.[16] We proposed providing an opportunity for MCS and the consumer codes to update their relevant standards, calculators and codes of practice that are referenced in the regulations at scheme closure, or earlier, if the opportunity arose.

Question

8. Do you think that we should provide an opportunity for MCS and the consumer codes to update the relevant MCS standards, calculators, and codes of practice that are referenced in the regulations at scheme closure, or earlier, if the opportunity arises?

Summary of responses

We received 11 responses to this question. Of these responses, 9 selected “Yes”, one selected “No”, and one selected “Don’t know”. There was therefore clear support for allowing MCS and the consumer codes to update their standards, calculators, and codes of practice. Responses agreed that this is important in order to reflect improvements and new developments, and that the DRHI has the flexibility to adapt to match the changing industry. One response noted that they would like the standards to be updated earlier than scheme closure. Those who disagreed or selected “Don’t know” did not provide reasons for their responses.

Government response

The closure of the scheme provides MCS with an opportunity to update the installation standards and calculators that are referenced in the DRHI regulations. MCS have advised that they would like to update the following standards/calculators:

- MIS 3001 Solar Heating Installation Standard
- MIS 3005 Heat Pump Installation Standard
- MCS 024 Solar Domestic Hot Water Calculator
- MCS 026 SCOP Calculator

[16] MCS Standards & Tools library

We will amend the regulations to allow MCS to update these standards and calculators at scheme closure.

The closure of the scheme also provides an opportunity for the consumer codes that are referred to in the regulations to update their codes of practice. Both RECC and HIES would like to update their codes of practice, and we will amend the regulations accordingly.

Following the closure of the scheme to new applications, there will be limited opportunities to update the regulations. Therefore, we intend to amend the regulations so that after the closure of the DRHI, the Secretary of State will be able to authorise a subsequent version of an installation standard, calculator, or code of practice to replace the version currently referred to in the DRHI regulations. The only scenario where the version of these documents would be relevant is when a plant is replaced, but this amendment will allow for MCS and the consumer codes to update their standards, calculators, and codes of practice without requiring a regulatory change to the DRHI.

Annual declarations

Consultation proposal

Participants on the DRHI have an obligation to submit a declaration each year to the scheme administrator. In the annual declaration, the participant confirms that certain eligibility criteria continue to be met. The regulations specify the areas of scheme compliance which must be confirmed in the annual declaration. We proposed allowing the scheme administrator to have the discretion to ask additional questions to participants as part of the annual declaration process. The scheme administrator would not be able to impose new obligations on participants, but it could ask for additional information relating to existing ones. Allowing additional questions would help the scheme administrator to identify and mitigate issues around non-compliance.

Question

9. Do you think that the scheme administrator should have the ability to ask participants to provide additional information, as part of the annual declaration?

Summary of responses

We received 11 responses to this question. Of these responses, 8 selected “Yes”, 2 selected “No” and one selected “Don’t know”. There was overall agreement to proceed with this proposal. However, some respondents were concerned about the burden that answering additional questions may place on consumers. Three of the “Yes” respondents noted that the additional questions needed to be proportionate and not too onerous for the consumer. Similarly, one of the “No” respondents stated that any additional information requests need to be properly justified.

Government response

We intend to allow the scheme administrator to have the discretion to ask additional questions to all participants as part of the annual declaration process. The scheme administrator will be able to ask new questions about existing aspects of scheme compliance, but will not have the ability to introduce new eligibility or compliance criteria.

This proposal will enable the scheme administrator to identify and mitigate against the non-compliance scenarios that it observes in its operation of the scheme. Early detection of these areas by the scheme administrator will be beneficial for consumers, as it will allow them to take remedial action as soon as possible. Adding these questions to the annual declaration will also aid the scheme administrator's audit functions.

Metering

Authorisation applications (metering for payment)

Consultation proposal

Most domestic installations that are accredited to the DRHI receive deemed payments. However, there are some scenarios where payments must be made on actual heat generated, and the installation must be metered ("metering for payment"). In the consultation, we proposed to keep open applications for metering ("authorisation applications") past the closure of the scheme in March 2022. This is because participants might require metering at a date later than scheme closure, for example due to a change in circumstances, or an audit by the scheme administrator may determine that metering for payment is required.

Question

10. Do you think that authorisation applications ("metering for payment") should remain open after 31 March 2022?

Summary of responses

We received 10 responses to this question. Of those responses, 8 selected "Yes", 0 selected "No", and 2 selected "Don't know". There was therefore strong support for keeping authorisation applications open after 31 March 2022. Written responses unanimously recognised that individual situations could change over the 7 year lifetime of the DRHI, and that metering may be required. One response highlighted that it is essential for the government to maintain as much flexibility as possible to allow for full compliance.

Government response

We will keep authorisation applications for metering open after 31 March 2022. Authorisation applications are necessary for scheme administration, for example where the scheme administrator determines that the installation must be metered for payment. As authorisation applications do not lead to more participants joining the scheme, there are no budget implications for keeping this application type open. We will close the scheme to new authorisation applications on 31 December 2028. This is the last day that an application can be made to receive a quarterly RHI payment on 31 March 2029, the final day that the scheme closes.

Occupancy

Consultation proposal

Currently, installations that are listed in an accreditation application to join the DRHI must be metered for payment if the property where the low carbon heating system is installed has

been occupied for less than 183 days in the 12 months before the application date (unless the property is a self-built property). If the scheme administrator discovers post-accreditation that a property has not been occupied for 183 days in the previous 12 months, metering must be installed and subsequent RHI payments will be made on a metered, rather than deemed, basis.

Under the current regulations, the scheme administrator is only able to assess occupancy over the 12 month period prior to the date of the accreditation application or, in the case of a post-accreditation investigation, on the date on which occupancy is assessed. This period or point in time is not necessarily reflective of the long-term occupancy of the property.

The policy intent is that properties that are occupied for less than half a year should be metered for payment. However, we proposed potentially allowing the scheme administrator to have discretion to determine a different timeframe, where it considers that the 12 month period used for assessing occupancy is not a fair reflection of the typical and ongoing occupancy of the property.

Questions

11. Do you think that the regulations should allow the scheme administrator to use discretion (such as considering a longer interval rather than the current 12 month assessment period) when assessing whether metering is required due to low occupancy?

12. What factors should be taken into consideration when the scheme administrator assesses whether metering is required in relation to occupancy?

Summary of responses

We received 8 responses to question 11 and 5 responses to question 12. Of the 8 responses to question to 11, 6 respondents selected “Yes”, one selected “No” and one selected “Don’t know”. There was therefore general agreement to allow the scheme administrator to have the discretion to determine a different timeframe for assessing occupancy where it considers that 12 months is not a fair reflection of the typical use of the property. Written responses to questions 11 and 12 supported building flexibility into the assessment to allow for changes in circumstances.

However, responses also noted the need for there to be limits to this discretion, and that prescriptive scenarios should be decided in advance. One response suggested that without the discretion having defined parameters, the scheme administrator could be open to inherent risk. Suggested scenarios for allowing discretion included change of ownership, low occupancy due to illness, changes in family circumstances, natural disasters, and Covid-19.

One respondent who selected “No” stated that they support the current requirements to meter a property where it has not been occupied for 183 days in any 12 month period.

Government response

The consultation asked whether the scheme administrator should be able to use its discretion when considering the 183 day occupancy rule in exceptional circumstances. Although the consultation suggested a possible solution of extending the 12 month review period (to give the scheme administrator a larger timeframe to consider), after carefully considering the consultation responses, we believe that the optimal solution is to give the scheme administrator the discretion to not require metering within the current 12 month period in exceptional circumstances. Where the scheme administrator becomes aware that the property has not met the 183 day occupancy requirement, we will allow for the participant to request an exemption to the metering for payment requirement for exceptional circumstances, provided that the participant has proactively informed the scheme administrator of the low occupancy.

The scheme administrator will have the ability to request further information from the participant relating to the exemption request. Having reviewed a participant's exemption request and additional information, we will allow the scheme administrator to have the discretion to decide whether to require an installation be metered for payment if it considers that the participant's failure to comply with the 183 days in the previous 12 months occupancy requirement is due to exceptional circumstances. We recognise the need for parameters to this discretion. The scheme administrator will define the scenarios that are eligible for having this discretion applied and will consult on these scenarios in due course, and before the amendment comes into force.

The discretion will not apply retrospectively to decisions that have already been made. The scheme administrator will only be able to apply this discretion to decisions made after the amendment comes into force on 1 April 2022. Where a previous decision has been made that metering for payment is required, that decision will not be revisited.

It is also important to note that the default position regarding occupancy is not changing. If the participant has not occupied the property for 183 days or more in the previous 12 month period, the default consequence in the regulations is that the property should be metered for payment. Any exercise of discretion by the scheme administrator to grant an exemption will be judged on a case by case basis.

It should be noted that, as per the scheme administrator's standard process for reviewing accreditation following a notification in change of circumstances, RHI payments will be suspended until the scheme administrator has concluded its review.

Exemption for secondary plants heating only one room

Consultation proposal

In the current regulations, metering is normally required where there is a secondary plant providing heat to a property. One exception to this requirement is when the secondary heating system is designed and installed to directly heat only one room. This is intended so that properties with fireplaces, or an electric heater, for example, do not require metering. A

secondary plant that is located within a partition wall between 2 rooms (for example, a log burner), could provide heat to 2 rooms and would therefore not be covered by this exception. We proposed extending this exemption, so that metering would not be required for plants that are located within a partition wall and directly radiate heat to 2 rooms.

Question

13. Do you think that the exemption to the requirement for metering if the property has a secondary heating system designed to heat one room only should be extended to properties with a secondary heating system that directly radiates heat to 2 rooms through a partition wall?

Summary of responses

We received 8 responses to this question. Of those responses, 5 selected “Yes”, one selected “No” and 2 selected “Don’t know”. Written responses for those who answered “Yes” mostly agreed with extending this exemption, with one response stating that they had no objection. Those who answered “No” or “Don’t know” did not provide reasons for their responses.

Government response

This policy proposal will only affect a limited number of participants. However, the scheme administrator has identified certain cases where the participant has had a secondary plant providing heat to a property, and that plant has been located within a partition wall and directly radiated heat to 2 rooms (e.g., a log burner). These participants have therefore been required to have their primary plant metered for payment, as the secondary plant did not fit under the current exemptions. It is not the policy intent to exclude this category of participants, as these plants are directly radiating heat rather than providing heat through a central heating system. We will therefore extend the metering for secondary plants exemptions, so that metering will not be required if the secondary plant is located within a partition wall and directly radiates heat to 2 rooms.

This amendment will not apply retrospectively to decisions that have already been made. The scheme administrator will only be able to apply this amendment to decisions made after the amendment comes into force on 1 April 2022. Where a previous decision has been made that metering for payment is required, that decision will not be revisited.

Electricity meter installers

Consultation proposal

The requirement to install electricity meters on all new heat pump installations was introduced in the 2018 reforms to the scheme.[17] Installers of electricity meters are currently required to be certified by MCS (or an equivalent scheme). This is to provide sufficient consumer protection and quality assurance in meter installation. Following the introduction of

[17] The Renewable Heat Incentive: A reformed and refocused scheme

this requirement, we received stakeholder feedback querying the necessity of MCS certification, given that any qualified electrician should be able to install an electricity meter.

We proposed removing the requirement for installers of electricity meters to be MCS certified. This would mean that, where replacement meters are required after scheme closure, any qualified electrician should be deemed sufficiently reliable and accountable to install the electricity meters.

Metering for payment and MMSPs require heat meters and other components to be installed in addition to electricity meters. For this reason, we proposed that the requirement for an MCS certified installer to be responsible for the installation of metering for payment and MMSP installations should continue.

Question

14. What qualification(s) and/or certification should be required for electricians to be permitted to install electricity meters under the scheme regulations?

Summary of responses

We received 8 responses to question 14. Three responses generally agreed with our proposal to remove the requirement for MCS certification for electricity installers, with one response also supporting our proposal to maintain the requirement for electricians to be MCS certified when installing MMSP installations. However, while responses noted that there must be a clear standard that should be met by the electrician when installing an electricity meter, there was disagreement about what that standard should be. One response said that standard electrical qualifications should be sufficient, but another respondent suggested the '18th edition electricity qualification' or being a member of a competent person scheme for electricity should be required. Two respondents said that qualifications in line with the Electrotechnical Assessment Specification could be requested for electricians to install electricity meters under the scheme regulations. One response highlighted that the electrician must understand the purpose and positioning of the electricity meter for heat installations. Other responses referred to the building regulations.

One response noted that it is difficult for consumers to find qualified tradespeople, particularly when they do not know which qualifications are required. They stressed the need for the relevant information to be provided to consumers to ensure they choose an appropriately qualified electrician.

Government response

Having carefully considered the proposed change and stakeholder feedback, we have decided not to proceed with this amendment. This is due to the lack of consensus regarding the qualifications and competency that an electricity meter installer would be required to have. It may also be confusing to scheme participants, and there are possible consumer protection risks. As there will be no new installations allowed onto the scheme post-closure, the introduction of this change would have had limited impact and we do not consider that it would be proportionate to take forward.

Metering and Monitoring Service Packages (MMSPs)

Providing further information for MMSP registration applications

Consultation proposal

During an application for MMSP registration, the scheme administrator may require the applicant to provide further information before registration can be given. The timeframe to provide this information is currently 12 weeks from the date it was last requested. The length of this deadline results in significant delays in processing MMSP registrations and prevents the scheme administrator from clearing the backlog of MMSP registration applications which can delay participants from receiving MMSP payments. We proposed aligning this deadline with the equivalent deadline for providing information in relation to DRHI accreditation applications, which is 28 days. We also proposed allowing this deadline to be extended to 3 months in certain circumstances.

Question

15. Do you think that the time within which further MMSP registration information must be provided should be shortened from 12 weeks to 28 days?

Summary of responses

We received 9 responses to this question. Of those responses, 6 selected “Yes”, one selected “No”, and 2 selected “Don’t know”. There was therefore overall support for reducing the timeframe for providing additional information for MMSP registration applications to 28 days. Responses in agreement noted that this would create a more efficient process, benefiting both the participant and the scheme administrator. However, the respondent who selected “No” was concerned that shortening this deadline may cause confusion for participants and installers. Equally, one “Yes” response stated that this change needed to be clearly communicated with industry.

Government response

We have carefully considered the responses and, instead of proceeding with the original proposal, we will keep the deadline for providing further information in relation to an MMSP registration at 12 weeks. We have decided against shortening the deadline to 28 days, to prevent any administrative confusion at scheme closure. If MMSP applicants and/or installers are unaware of the shorter deadline at scheme closure, they could be caught out, and there is a risk that their application would not be accredited. We also considered the impact of shortening the deadline to 28 days to be limited, particularly when there may be extension to 3 months in extenuating circumstances in any case.

However, we will amend the regulations to state that from scheme closure, further information must be provided within 12 weeks from the date of first request, instead of last request, provided that the last request is not requesting new, or different information. This will allow the scheme administrator to effectively close down MMSP registration queues after closure. This is particularly important at scheme closure, as we anticipate there will be an increase in applications leading up to the closure of the DRHI.

As this amendment will not come into force until the DRHI closes, the deadline of 12 weeks from first request will only apply to requests for information that are made after the scheme closure.

To ensure that industry is aware of this amendment, the scheme administrator will update its guidance documents ahead of it coming into force. The new deadline will also be flagged in relevant communications with industry.

Change of MMSP installer

Consultation proposal

There is currently no comprehensive provision in the regulations for the scheme administrator to transfer a MMSP registration from one MMSP installer to another. This may be required if an installer exits the market before transferring its rights and obligations under their MMSP contract to a new MMSP installer.

In this scenario, the MMSP registration accreditation may need to be withdrawn and a new MMSP registration application submitted by the participant. This is operationally inefficient and could prevent changes of installer (should this be required) after the closure of the scheme in 2022, when new MMSP registration applications are scheduled to cease. We proposed a change to the existing regulations to enable the transfer of MMSP installer without MMSP registration accreditations being withdrawn and re-submitted, provided that the new MMSP installer is able to fulfil all ongoing obligations.

Questions

16. Do you think that MMSP registrations should be amended, rather than withdrawn and resubmitted, in the case of a change of installer?

17. Are there other reasons why MMSP registrations might need to be amended instead of withdrawn?

18. Are there other measures that we should take in relation to the closure of MMSP registration applications?

Summary of responses

We received 8 responses to question 16, 3 responses to questions 17 and 2 responses to question 18. Of the responses to question 16, 7 respondents selected “Yes”, 0 selected “No” and one selected “Don’t know”. There was therefore strong support for adding further

provisions to the regulations to assist the transfer of MMSP installer. Written responses to this question noted that it would benefit consumers and reduce bureaucracy. One respondent highlighted the importance of safeguarding consumer protection, by ensuring the new installer is registered with a consumer code and that there is a valid contract between the new installer and the participant.

In response to questions 17 and 18, one respondent noted that it may be preferable for another MMSP installer to take over the MMSP registration if the original MMSP installer has failed to comply with their rights and obligations. Another respondent stated that it is not always possible to undertake a like for like replacement of MMSP meters and requested that the scheme allow the use of different specification units which are close to meeting the full requirements of MMSP. One respondent suggested the addition of a provision to recover MMSP payments in the event of non-compliance, without having to revoke registration. One respondent requested that the MMSP scheme should not be closed to new applicants.

Government response

We will amend the regulations to add a process for the transfer of MMSP registration from one installer to another if the original installer exits the market before transferring its rights and obligations to another installer. In cases where the MMSP installer has exited the market before transferring the registration, the participant must request that their MMSP registration is transferred to another installer within 28 days of becoming aware that the installer has ceased trading. Adding this provision to the regulations will allow MMSP registrations to be transferred between installers once the scheme has closed to new MMSP registration applications. Participants should not be penalised if their installer ceases to trade.

The consultation also identified an issue around change of MMSP ownership. We have received feedback that in some cases of change of ownership, the person who sold the property has not engaged with the requirement to notify the MMSP installer, therefore preventing the MMSP registration from being transferred. In these cases, the MMSP registration has had to be withdrawn and a new application submitted by the new owner. We will therefore allow for the new owner to give notice to the installer, which will then allow for the registration to be transferred. This process is more efficient than having to withdraw and resubmit registration.

Data collection

Consultation proposal

MMSPs help drive improvements in performance of low carbon heat installations by monitoring the performance of heat pumps (air or ground source) and biomass pellet boilers that are accredited on the DRHI. In addition to providing participants with information regarding the performance of their low carbon heating system, the policy intent is that the data collected under MMSP agreements is supplied to BEIS. This is to provide BEIS with valuable insights regarding installation quality and system performance in different types of

property over several years, and will be used to inform future research and policy development.

The current regulations provide for the scheme administrator to collect MMSP data from participants, and for the scheme administrator (or an agent nominated by the scheme administrator), or BEIS, to collect the MMSP data from installers. However, it may be simpler and more efficient to expand how MMSP data is able to be collected. We therefore proposed allowing BEIS, the scheme administrator, or an agent nominated by either organisation to collect data directly from MMSP installers, participants, data storage platforms, or data controllers, depending on the specific arrangements in place and subject to General Data Protection Regulation (GDPR) compliance. We also proposed expanding the authority of the scheme administrator to suspend, and/or recover payments, and potentially withdraw MMSP registration from participants who do not comply with requests to provide their MMSP data.

Questions

19. Do you think that BEIS, Ofgem (or an agent nominated by either organisation) should be able to request MMSP data directly from installers, participants, data storage platforms or controllers (wherever the data is stored)?

20. Do you think that Ofgem, as the scheme administrator, should be able to withdraw MMSP registration and/or recover MMSP payments from participants who do not supply their MMSP data?

21. Are there any other areas of MMSP which you would like to be amended?

Summary of responses

We received 9 responses to questions 19 and 20, and 3 responses to question 21. Of the 9 responses to question 19, 6 respondents selected “Yes”, 0 selected “No”, and 3 selected “Don’t know”. There was therefore overall agreement with our proposal to allow BEIS, Ofgem, or an agent nominated by either organisation, to request data directly from installers, participants, data storage platforms or controllers (wherever the data is stored). Written responses to this question also supported this proposal, with 3 responses noting that BEIS and Ofgem having access to the MMSP data would be beneficial for future research and policy development. One response highlighted that introducing flexibility into the MMSP data collection process, and enabling BEIS, Ofgem, or an agent nominated by either organisation to collect the MMSP data, would create a more streamlined process, ensuring value for money on the MMSP project. One response emphasised the need for any requests for the MMSP data by BEIS, Ofgem, or an agent nominated by either, should be proportionate and ideally planned at set intervals. Three responses also stressed the importance of compliance with GDPR when requesting the MMSP data. Likewise, one response questioned whether BEIS or the participant is the rightful owner of the MMSP data and requested that if the data is owned by the participant, that their consent is sought.

One response requested that data providers should be compensated if they have to provide MMSP data in a non-standard format. One response also asked for the government to define “data storage platform”.

Government response

MMSP data is highly beneficial for research and policy development purposes, and we would like to be able to access and use this data in the most effective way possible. We will therefore amend the regulations so that, once MMSP participants have provided their consent, BEIS, the scheme administrator, or an agent nominated by either, will be allowed to request MMSP data directly from participants, installers, data storage platforms and data controllers (wherever the data is stored). This will allow BEIS and the scheme administrator to access the MMSP data directly from wherever it is stored, rather than the responsibility being on the installer or the participant to download the data and pass it on to BEIS/the scheme administrator. This is administratively more efficient, as well as reducing the burden on the installer and participant. We will ensure that any requests to provide MMSP data are compliant with GDPR.

To ensure value for money and to protect the public purse, if a MMSP participant does not provide consent for the MMSP data to be collected, the scheme administrator will have the ability to suspend the participant's MMSP payments and withdraw their MMSP registration.

Annual maintenance checks for biomass installations

Consultation proposal

The consultation discussed whether the new MCS biomass maintenance standard should be introduced into the DRHI. If introduced, the standard would become mandatory from April 2022, when the scheme closes to new accreditation applications. As there would be no new installations (other than replacement plants), the only way for this measure to have any effect would be to mandate that existing installations that are already accredited to the scheme have to comply with this requirement. The consultation raised concerns regarding imposing the standard 'retrospectively' on participants and the potential costs involved, and sought views on whether the standard should be introduced into the scheme or not.

Questions

22. Do you think that mandatory annual maintenance checks for biomass low carbon heating systems should be introduced into the DRHI? If you support checks being introduced, do you think that this should be by the introduction of a biomass maintenance standard, or another method; for example, requiring that the manufacturer's maintenance instructions are followed?

23. How much do you think annual maintenance checks should reasonably cost, and should the government introduce a limit, or cap to the cost of the check?

24. Do you think that sanctions should be imposed on a participant if it is discovered that they have not complied with the requirement for an annual maintenance check? If you agree, what do you think the level of those sanctions should be (for example, recovery by the scheme administrator of the RHI payments for that year)?

Summary of responses

We received 13 responses to the questions on the potential introduction of the biomass maintenance standard into the DRHI. Seven respondents were in favour of the introduction of the standard, 3 were opposed, and 3 commented but expressed no preference. Those in favour raised the important issues of improving air quality, boiler efficiency and performance, and consumer safety. The responses that were not in favour of adopting this measure referenced concerns about costs and the risks around availability and the supply chain. They also expressed doubts regarding how fair it would be to mandate this requirement for installations that are already accredited onto the scheme, and for participants who would have been unaware of this requirement when they decided to purchase and install a biomass low carbon heating system.

Government response

Arguments for and against the introduction of a mandatory maintenance standard are finely balanced. Strong arguments can be made in favour of introducing the standard, such as improving consumer safety, air quality, and boiler efficiency and lifetime. These were reflected in the consultation responses.

However, these arguments need to be balanced by the risks involved with introducing the standard, which would potentially impact domestic consumers in the DRHI more than, for example, commercial organisations in the NDRHI. We have seen a wide variation in how much consumers are charged for maintenance. Although stakeholders have said that, on average, costs should be in the £250 to 350 range, we have seen examples of consumers being charged up to £1,000 for a maintenance check. Transport costs, especially in isolated areas, can also add significantly to the total cost that a consumer is charged. We share the concerns raised in the consultation responses regarding costs on consumers, particularly as we would be introducing a mandatory requirement with a financial cost which did not exist when the participant signed up to the scheme. If participants had known that they would have to pay these costs, then they may have selected an alternative heating system. Commercial organisations in the NDRHI are typically more able to absorb this type of cost than private households.

A further issue is that if the maintenance standard is made mandatory in the DRHI regulations, then compliance would have to be enforced by the scheme administrator (or there would be no point introducing it). Where the scheme administrator finds non-compliance with scheme regulations, it takes actions to bring the installation back into compliance. This could mean suspending DRHI payments, and potentially revoking the installation's accreditation, and even recovering RHI payments. Domestic participants in the scheme have applied voluntarily and made a financial investment in anticipation of receiving RHI payments. It does not seem reasonable to introduce a mandatory requirement after participants are already on the scheme, apply it to these participants, and if a participant could not find a qualified installer for their boiler, or could not afford to pay the cost for maintenance, then to potentially end their RHI accreditation and stop their RHI payments.

We have therefore decided not to make compliance with the biomass maintenance standard mandatory in the DRHI. We do intend, however, to strongly encourage its use. For example, we are in discussions with the scheme administrator about how to encourage participants to use the maintenance standard. The scheme administrator will update their guidance and communications with participants to reflect this. We also intend to support MCS and the Biomass Suppliers List (BSL)[18] in publicising the standard.

[18] Biomass Suppliers List

Fuel Quality standard for biomass boilers

Consultation proposal:

A fuel quality standard is an assurance process that covers the whole chain from the supply of raw materials to the point of delivery to the participant. Improving the quality of fuel burnt in biomass boilers on the DRHI scheme has several benefits for participants. Using better quality fuel can lead to (1) better boiler efficiency, (2) longer system life, and (3) lower emissions of damaging substances such as particulate matter, which improves air quality.

Improving the quality of DRHI fuels is in line with the recommendations following the consultation on biomass combustion in urban areas[19]. The government committed to working towards an industry standard for fuel quality to ensure that fuel burnt in biomass boilers is of appropriate quality. To implement this, the government proposed introducing a requirement that all suppliers of biomass fuel used on the DRHI provide assurance that the wood fuel fulfils manufacturers' specifications and burns efficiently. We proposed requiring:

- all wood pellets meet the EN Plus A1 standard[20] or an equivalent standard;
- all other wood fuels (such as chip) meet fuel quality standard EN15234[21]/ISO 9001[22], and EN17225[23], or equivalent; and
- all wood fuels to provide assurance of their supply chain, and that they meet the standards above, through certification by the Woodsure Certification scheme, or an equivalent scheme.

Questions

25. Do you think fuel quality should be a mandatory criterion for approved feedstock accreditation bodies?

26. Do you think that a membership of an accredited quality assurance scheme should be sufficient?

27. If you answered no, what kind of fuel quality framework would you prefer to see implemented?

28. Are there any other factors that we should consider, for example additional cost to consumers?

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

[20] ENplus Handbook V 3.0

[21] BS EN 15234-1:2011 Solid biofuels. Fuel quality assurance - General requirements

[22] BS EN ISO 9001:2015 Quality management systems. Requirements

[23] BS EN ISO 17225-4:2021 Solid biofuels. Fuel specifications and classes - Graded wood chips

Summary of responses

We received 9 responses to questions 25 and 26, 0 responses to question 27 and 3 responses to question 28.

In response to question 25, 6 respondents selected “Yes”, one respondent selected “No”, and 2 selected “Don’t know”. There was therefore general agreement for fuel quality to be a mandatory criterion for approved feedstock accreditation bodies. Responses agreeing with this question noted that a fuel quality standard being introduced would improve air quality, minimise particulates and emissions, and contribute to the efficient running of biomass boilers. One response specifically stated that they agreed with the proposed fuel quality standards, whilst another response noted that implementing these standards should reduce the risk of participants using poor quality or contaminated fuel.

Three responses highlighted the importance of ensuring that the fuels are checked and verified against the fuel standard. One response suggested that this could be done via unannounced audits by the accreditation body. Likewise, 2 responses noted that the scheme administrator needed to be able to validate participant compliance with the fuel quality standard. Two responses also requested that the new fuel quality is transparently communicated to consumers and industry.

However, 2 of the “Yes” responses were concerned that complying with the fuel quality standard may place an additional burden on participants and suppliers. They noted a significant proportion of accredited suppliers already adhere to the proposed fuel standards. These responses suggested that complying with the fuel quality standard should be similar to the existing monitoring and reporting requirements already undertaken by these suppliers. Likewise, one response was also concerned about the costs of complying with the fuel quality standard, noting that self-suppliers would be financially impacted by having to register with the BSL. One response also requested that the standard should not be implemented retrospectively.

Two responses suggested that air quality could be improved further, by proposing a ban on boilers running alternative feedstocks, such as wood chips or logs, and that only pre-consumer waste wood should be used.

In response to question 26, 5 respondents selected “Yes”, membership of an accredited fuel quality assurance scheme should be sufficient, 2 selected “No” and 2 selected “Don’t know”. One respondent who agreed with this, stated that a significant proportion of fuel suppliers already adhere to the proposed fuel quality standards through fuel quality schemes. This membership involves regular self-monitoring and reporting during audits. One other respondent noted that membership of an accredited quality assurance scheme should be sufficient, as long as the participant is aware of the need to source accredited fuel for their boiler. Two responses highlighted the need to future proof the fuel quality standard and ensure it is fit for purpose, whilst being easy for businesses to ensure compliance.

However, one respondent who disagreed that membership of an accredited fuel body should be sufficient, stated that the BSL must also conduct fuel quality checks and regular audits to ensure the fuel meets the fuel quality standards. This respondent noted that failure to carry out audits would result in increased pollutants from non-compliant fuel. One other respondent who disagreed noted that the proposed fuel quality standards do not cover waste wood.

All 3 responses to question 28 highlighted that introducing a fuel quality standard could result in increased fuel costs for consumers, with responses suggesting that the government should monitor and minimise these additional costs to consumers. However, responses also noted that using a better quality fuel may result in a more efficient heating system, which could reduce maintenance costs over the long term.

Government response

In line with the decisions on the NDRHI, we will also introduce the same fuel quality standards onto the DRHI. This will require that for solid biomass (excluding solid biomass contained in waste) which is woodfuel and is used to generate heat in an accredited RHI installation, all wood pellets must meet the ENplus A1 standard or an equivalent standard. All other woodfuel must meet fuel quality standard EN 15234-1: 2011, ISO 9001: 2015 or EN ISO 17225-4: 2021 or an equivalent standard. All woodfuel must be certified by the Woodsure Certification Scheme or an equivalent certification scheme, which must provide assurance of the supply chain of the woodfuel.

Introducing the proposed fuel quality standard will reduce particulates and emissions, improve air quality, and increase the longevity of the biomass installation.

The government has already extended the role of the BSL to include responsibility for checking the fuel against the fuel quality standards above. This will take effect in the DRHI on 1 April 2022. The BSL will therefore be responsible for validating all fuels on the scheme against the fuel quality standards, including conducting regular audits to ensure ongoing compliance with the standards. There should therefore be limited impact on DRHI participants, who are already required to source their fuel from a BSL approved supplier. The scheme administrator will continue to accept proof of purchase from the BSL as part of the annual declaration, as proof of compliance with the fuel quality standard. There may be a slight impact on self-suppliers, however Woodsure are exploring ways to simplify this process.

The requirement to comply with the standard will come into force on 1 April 2022. The fuel quality standards will be clearly communicated with industry ahead of it coming into force.

DRHI Budget and Publications

Consultation proposal

In the consultation, we discussed which publications and reports BEIS and the scheme administrator should continue to publish post-scheme closure.

For example, BEIS currently publishes a monthly assessment of expenditure against the annual budget caps for the DRHI. The monthly budget cap document for the DRHI will continue to be published throughout the financial year 2021/22. However, we proposed amending this approach from 2022/23 onwards. Rather than producing the current budget cap document, we proposed that instead we would publish an annual update of the RHI best estimate of spend for the current financial year, the previous 2 financial years, and the subsequent 2 financial years.

The consultation also noted that the degression methodology used to control spending will no longer be required. The regulations currently require the department to publish a quarterly forecast for the purpose of degression. After the closure of the DRHI scheme, there will be no further tariff decisions, and therefore we proposed that we remove the requirement to publish the quarterly degression assessment and the monthly counterpart documents.

BEIS also publishes deployment data on a monthly basis, including information regarding the quantity, technology type and geographical location of accredited installations. As there will be no new deployment, we consider that publishing such regular statistics will not be required. However, we intend to publish some statistics until the last RHI payment is made under the scheme.

The scheme administrator is required under the regulations to produce and publish quarterly and annual reports on the DRHI. The consultation proposed that the scheme administrator should continue to provide these reports and data until the last DRHI application is processed. Following the completed processing of final applications, annual reports would continue to be required by the regulations, whilst quarterly reports would be discretionary.

The scheme administrator is also required to provide monthly reports to the government on payment data, as well as data on participants to enable the calculation of statistics. The government will require the scheme administrator to carry on providing these monthly reports.

Questions

29. Do you agree or disagree with the government's approach to DRHI publications set out above?

30. Is there any additional data you think should be made available publicly?

31. Do you agree or disagree with the decision to no longer mandate the scheme administrator to publish quarterly reports?

Summary of responses

We received 9 responses to question 29. Of these 9 responses, 6 “Agreed”, one “Disagreed”, and 2 “Neither agreed nor disagreed”. Most of the responses therefore agreed that the approach to DRHI publications set out in the consultation is sensible. Three of the responses agreed that there will be no need to publish quarterly degression assessments, as well as their counterpart documents. They also agreed that it would be useful for BEIS to report on the RHI’s best estimate of spend.

One response suggested that post-closure, the current approach to reporting should continue as it currently does. Another response suggested that BEIS findings from MMSP data should be published.

We received 4 responses to question 30. One response stated that the current data is sufficient. One respondent suggested that the government carry out research into participants’ experience using a low carbon heating system. They pointed out that the government is in a unique position to gather this data as participants are in receipt of DRHI payments for 7 years, so data could be collected over their lifetime on the scheme. This research could then be fed into future government policymaking, and any findings published.

Question 31 received 8 responses. Of these responses, 5 “Agreed” with the proposal to no longer mandate the scheme administrator to produce quarterly reports once the last RHI application has been processed. Two responses “Disagreed” and 1 response “Neither agreed nor disagreed”. Written responses that agreed recognised that publishing quarterly reports will not be necessary once the last application is processed. However, they urged that the scheme administrator continues to keep track of the data and publish annual reports on their findings. Those who disagreed did not provide a reason for their response.

Government response

We will amend the regulations so that BEIS will no longer be required to publish the quarterly degression template. As there will be no more degressions after scheme closure, this publication will no longer be required.

Similarly, as there will be no further deployment after scheme closure, BEIS will also stop publishing monthly deployment statistics. However, BEIS will continue to publish some statistics about the DRHI until the last payment is made in 2029.

We also intend for BEIS to stop publishing the budget cap documents for the DRHI scheme. Instead, from 2022/23, BEIS will publish an annual update of the RHI best estimate of spend until the last DRHI payment is made in 2029. This approach will align the DRHI with the reporting for the NDRHI. BEIS will also continue to carry out evaluation research on the scheme, which will be used to inform future policy development.

After the scheme has closed, the scheme administrator will continue to be required to publish quarterly and annual reports. However, we will remove the requirement for the scheme administrator to provide quarterly reports after the final accreditation applications have been processed. Annual reports will still be required.

The scheme administrator will also continue to be required to provide reports to BEIS, however the frequency of sending these reports to BEIS will be at BEIS’ discretion.

Other amendments to the Domestic RHI

Question

32. What other changes you would like us to make to the DRHI regulations?

Summary of responses

We received 6 responses to this question. The majority of responses related to the closure of the DRHI and the design of successor schemes. Responses requested that the government fully consider the impacts of closing the DRHI, along with considering an extension to the scheme. The responses also emphasised the importance of a smooth transition from the DRHI to the BUS, and requested that lessons are learnt from the DRHI and applied to the BUS.

One response requested a change to the regulations with respect to the change of ownership process. The current change of ownership of a property process creates a break in payments, and payments can only restart once the scheme administrator has completed its assessment of the new owner's eligibility, and transferred registration to the new owner. This respondent thought that it may be fairer for people who purchase properties with RHI installations to have their payments released from the point of notification to the scheme administrator.

Government response

The current regulations specify that, where there is a change of ownership of an installation, the new owner must notify the scheme administrator and the scheme administrator must update the central register and send the new owner a statement of eligibility before RHI payments can be made to the new owner. RHI payments are also calculated from the date that these steps are completed. If there are delays in the scheme administrator's processing of the change of ownership, there are then delays in the new owner receiving their RHI payments. As a result, this process is a cause of complaints and review requests from DRHI participants to the scheme administrator.

We are therefore considering whether to amend the regulations to allow RHI payments to be calculated from the point of notification by the new owner, rather than the date that the scheme administrator completes the change of ownership process. RHI payments would still be released at the point of completed processing, however the amount would be backdated to the point of notification.

Please direct any enquiries or comments on this proposal to rhi.consultations@beis.gov.uk by 30 November 2021.

We will also take this opportunity to update all the references to the NDRHI regulations in the DRHI regulations. The NDRHI regulations have been considerably revised over several years and many of the references to the NDRHI regulations in the DHRI regulations are now out of sync and do not refer to the relevant clauses in the NDRHI regulations. We will therefore update all references to the NDRHI regulations to ensure that the DRHI regulations are accurate and refer to the relevant clauses in the NDRHI regulations.

Tamper-proof seals for Non-Domestic RHI scheme participants

This section affects the NDRHI scheme only.

Consultation proposal

The consultation explained that the government was aware of concerns that some participants may be tampering with the temperature probes in their accredited NDRHI installations in order to falsely inflate the recording of heat generated and therefore increase their RHI payments.

The consultation proposed a range of further options to tackle this issue, including requiring tamper-proof seals to be fitted to existing installations.

Questions

33. Do you have any comments on the implications of a potential requirement to use specific tamper-proof seals, including how any such requirement could be targeted to effectively tackle potential abuse?

34. Do you have any comments on how any such requirement could be implemented in a way that would reduce administrative burdens, including how any registration scheme could best be managed?

35. Do you have any comments about how this issue could be addressed through the scheme administrator's existing powers?

Summary of responses

We received 5 responses to this question in the consultation with 4 more responses sent via email following the stakeholder engagement event on 14 May 2021. Two responses agreed with the recommendations, one agreed with the principle of the proposal as they believed it would reduce fraud, while 6 were against the proposal.

Of the responses that were generally in favour of the proposal, one respondent said they were happy to support any measures that reduce the potential for fraud and want to ensure that any solution will minimise the cost and admin burden for the scheme administrator and scheme participants.

Another respondent who agreed with the proposal recommended that any tamper proof seals meet quality standards, and the government should introduce a registration scheme to provide a unique identifier for each seal to deter breaking and replacing of seals. They also recommended that we amend the NDRHI regulations to make compliance with this requirement an ongoing obligation which the scheme administrator will be able to enforce.

Another response broadly supported the proposal. They were of the view that the seals should meet quality standards and be part of a registration scheme to provide a unique identifier.

Of those against the proposal, one response was generally happy to support any proposal to prevent fraud but were of the view that the proposal will not be effective in reducing fraud on the scheme, explaining that the proposed solution was not technically robust. They were also of the view that it could place a disproportionate burden on the 'vast majority' who are compliant with the scheme's objectives. They recommend that we look at how the same goal could be achieved through existing powers and only introduce the tamper-proof seals as a last resort.

Another response expressed commitment to address the concerns regarding probe tampering. They recommended that the concerns should be investigated further to understand the scale of the problem and to develop a solution alongside industry that takes into consideration both the burden on participants and the administrative impact on the scheme administrator.

Another response was broadly against this measure due to the complication in having the work done, the cost and lack of robustness of the solution, also arguing that it would have been more appropriate to have introduced it at the beginning of the scheme instead of 10 years later.

Another comment was also of the view that the requirement will not stop abuse and an effective audit system will be more effective in preventing this. They also highlighted a possible issue with social rented properties regarding gaining access.

In tune with the majority of respondents, those attending the stakeholder engagement event were in favour of preventing the identified issue but were concerned about the strength of the proposed solution. Instead, they were broadly in favour of using data to identify potential fraud and gaming and target the existing audit regime to enforce RHI rules on this matter.

Government response

The government will not mandate participants to use a specific tamper-proof seal for the RHI installations, as a result of receiving feedback that this would not be an effective solution to the identified issue.

Instead, the scheme administrator will use data analytics to identify high risk indicators to target non-compliance.

This publication is available from: https://www.gov.uk/government/consultations/domestic-renewable-heat-incentive-ensuring-a-stable-scheme.

If you need a version of this document in a more accessible format, please email enquiries@beis.gov.uk. Please tell us what format you need. It will help us if you say what assistive technology you use.