



Domestic Renewable Heat Incentive (RHI) Factsheet – Degression Mechanism

Summary

The RHI is funded through general taxation, which means the scheme budget is set at each Government Spending Review. We therefore need to ensure that the scheme stays within budget and that it provides value for money to the taxpayer.

At the same time, those who are considering installing renewable heat need to know what support is likely to be available to them.

We control expenditure for the domestic RHI through a process called degression, which works by gradually lowering the tariffs that are paid to **new** applicants as more renewable heating systems are installed.

Tariffs are only reduced as estimated spend on the domestic scheme reaches certain expenditure thresholds or “triggers”. Renewable heating systems that were installed between 15th July 2009 and 9th April 2014 will not be included towards the triggers.

The first time a trigger is hit, the tariff for that technology will be reduced by 10%. However, if a super trigger (around double the standard trigger) is hit, that tariff will be

reduced by 20% (depending on growth from the previous quarter).

In the quarter following a decrease of a tariff, we will compare the increase seen in scheme expenditure to the increase in the technology’s trigger, as well as considering the actual level of spend. Announcements confirming whether there will be a tariff reduction will take place quarterly, with one month’s notice prior to any reduction taking effect. For example, if a tariff reduction was announced by the 1st September, this would take effect from the 1st October.

Those who apply after the notice period ends will receive the new (reduced) tariff. Those who have already been accredited on to the scheme or have made a valid application will continue to receive the previous (higher) tariff.

Quarterly announcements, as well as monthly updates of how the scheme is performing and the progress towards the triggers, will be published on the DECC section of the [GOV.UK website](http://www.gov.uk).

The Domestic RHI policy is set out in detail in [Further details of the domestic Renewable Heat Incentive](#). For more information on RHI policy you can visit www.decc.gov.uk/RHI

If you have any questions about either this factsheet or the policy behind the Domestic RHI, please email rhi@decc.gsi.gov.uk

If you have any queries relating to your Domestic RHI application, then you should contact Ofgem directly on 0300 003 0744 (Mon to Fri 8am to 7pm, Sat 9am to 2pm), by email to DomesticRHI@ofgem.gov.uk or @AskDomesticRHI on Twitter

Further Details

How will DECC calculate anticipated spend?

DECC will look ahead based on applications that have been received by Ofgem and installations already in the scheme, and calculate how much it is committed to spend over the next 12 months – for example, to cover the period from 31st July 2014 to 30th July 2015. The 12 month period moves forward every quarter, running from the last assessment date. Payments to systems installed before 9th April 2014 (legacy installations) will not be included in the forecast.

Ofgem will publish separate data on actual payments they have made in their 'RHI Public Report'. This data does not identify the likely cost of future payments over the coming year. Therefore the numbers DECC publishes will be higher than the figures published by Ofgem.

What will be included in the quarterly and monthly depression publications?

The quarterly publication will be made up of:

- An **Expenditure Forecast Statement** which sets out the calculated expenditure forecasts for each tariff and how these figures compare to the relevant thresholds ("triggers") set out in the scheme regulations.
- A **Tariff Change Notice** which will notify readers whether any tariffs will be reduced, the level of reduction,

what the new tariff(s) will be, and when they will take effect.

Monthly reports will follow a similar format to the quarterly expenditure forecast statement, although there will not be a tariff change notice included.

When will announcements be published by DECC?

The first quarterly forecast statement will be published by 1st September 2014.

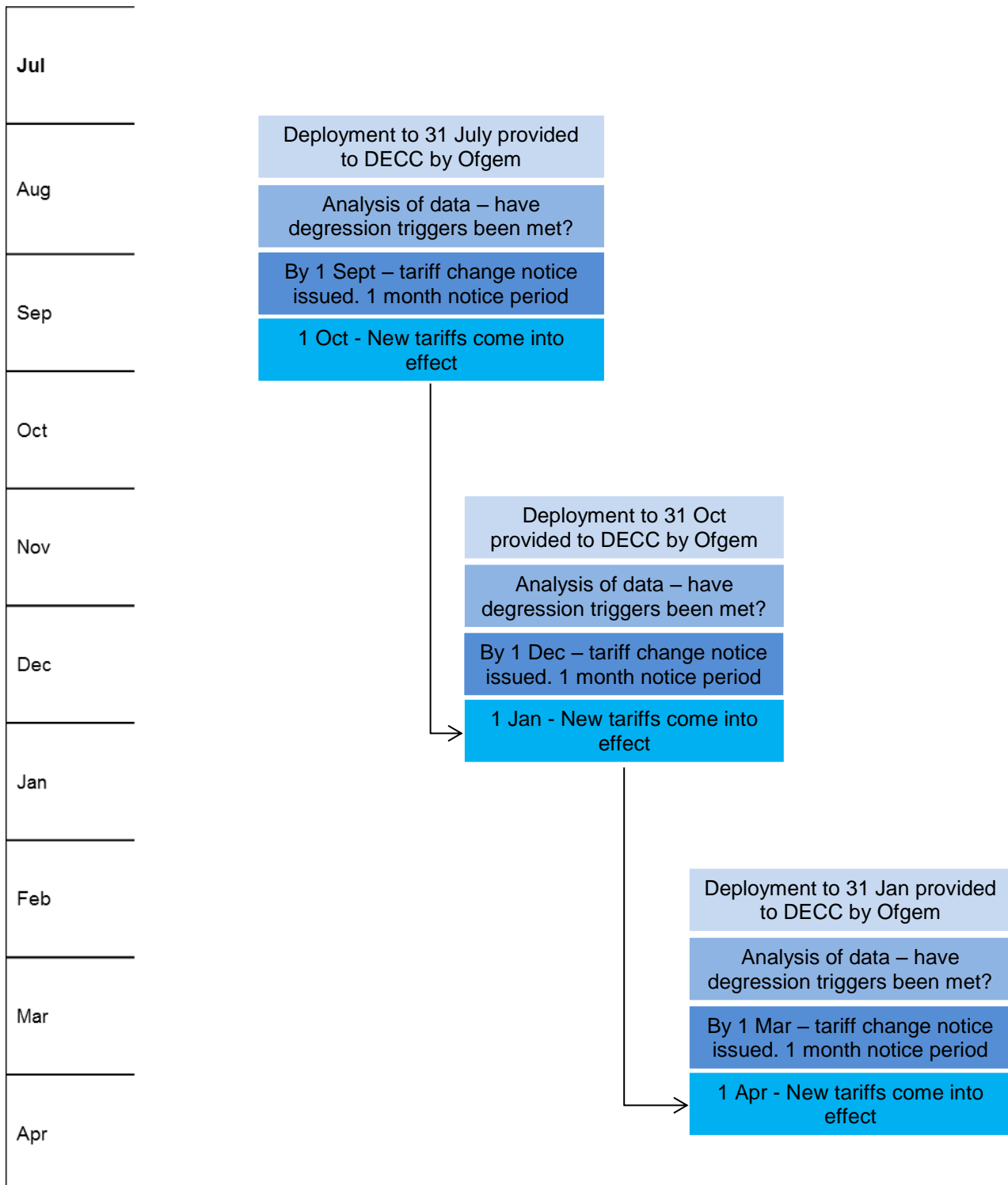
Every year, quarterly publications will be made by the following dates:

- 1st March
- 1st June
- 1st September
- 1st December

Publications will usually take place on the nearest working day prior to the above dates. Announcements will be made on the RHI page of the [GOV.UK website](http://www.gov.uk).

DECC will publish monthly forecasts when there is no quarterly publication. These are intended to enable the public to monitor on-going expenditure levels under the scheme, allowing them to make an assessment of whether any reduction of tariffs is likely to be made at the next quarterly announcement, and plan ahead accordingly.

Quarterly Degression Dates for 2014-15



Domestic RHI Degression Triggers

The table below sets out the domestic RHI degression triggers, to March 2016.

If a trigger is hit for a particular technology, there will be a 10% tariff reduction. If the super trigger is hit there may be a 20% reduction (depending on growth from the previous quarter).

Don't forget – this only applies to new applicants to the scheme. Your tariff will not be reduced if you are already accredited onto the scheme or have made a valid application.

[What happens the quarter after a degression has taken place?](#)

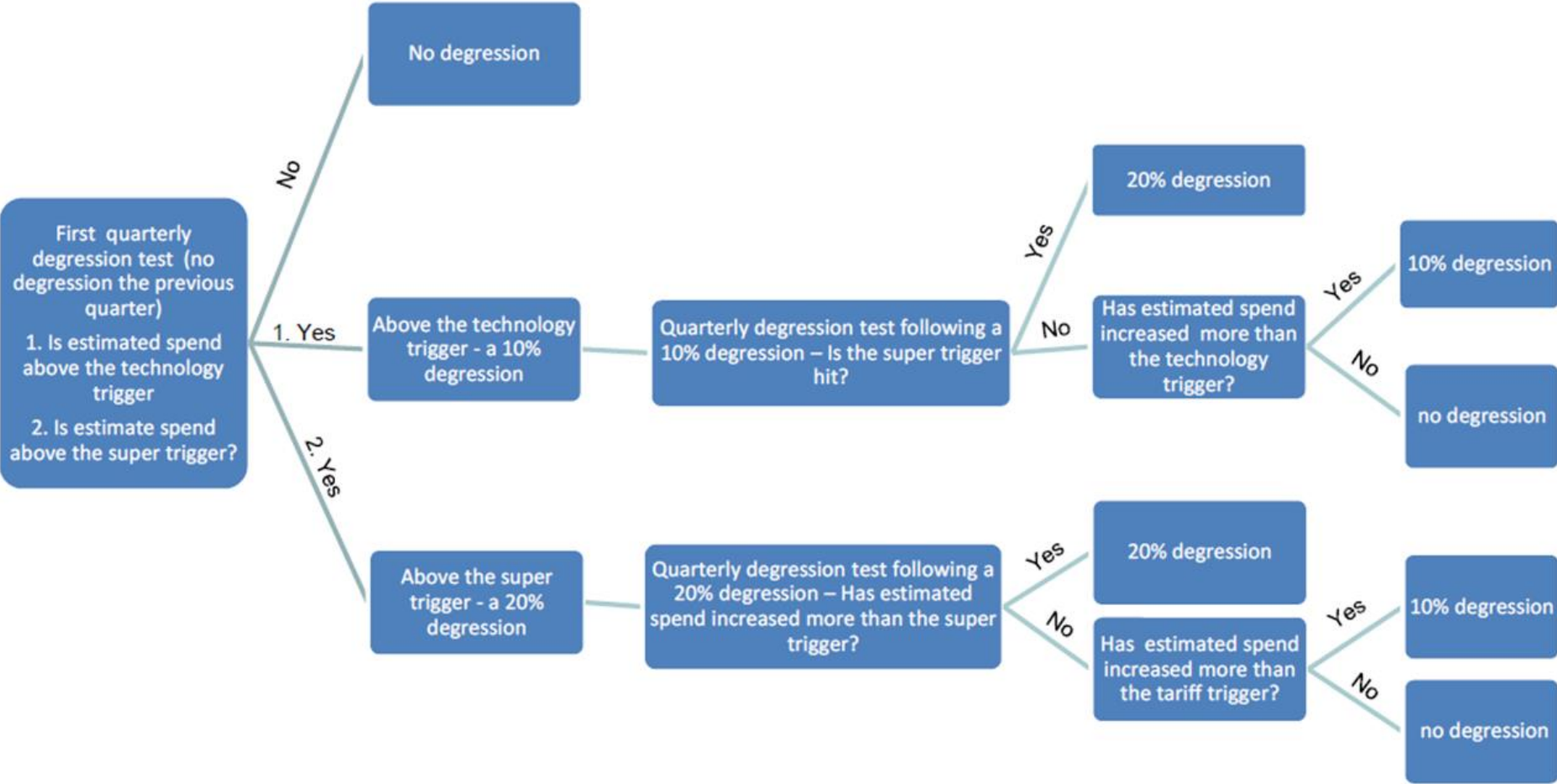
If a degression takes place in any quarter, then in the following quarter we will test the growth in spend against the growth between the triggers in those quarters, as well as considering the actual level of forecast spend.

If the growth rate is higher than, or the same as, the growth in the triggers a further reduction in the tariff would occur; if it is lower the tariff would stay the same. This will ensure that we do not over-reduce a tariff.

	Assessment date						
	31 Jul 2014	31 Oct 2014	31 Jan 2015	30 Apr 2015	31 Jul 2015	31 Oct 2015	31 Jan 2016
Biomass boilers							
Trigger (£m)	2.4	4.2	6.0	8.4	11.9	15.5	19.1
Super trigger (£m)	4.8	8.4	12.0	16.8	23.9	31.1	38.2
Air source heat pumps							
Trigger (£m)	2.4	4.2	6.0	8.4	11.9	15.5	19.1
Super trigger (£m)	4.8	8.4	12.0	16.8	23.9	31.1	38.2
Ground source heat pumps							
Trigger (£m)	2.4	4.2	6.0	8.4	11.9	15.5	19.1
Super trigger (£m)	4.8	8.4	12.0	16.8	23.9	31.1	38.2
Solar thermal collectors							
Trigger (£m)	1.2	2.1	2.9	3.9	5.0	6.1	7.2
Super trigger (£m)	2.3	4.1	5.9	7.8	10.0	12.2	14.4

A flow chart setting out all possible options is shown on the following page.

When and How Degressions Can Occur



Comparison of Degression Mechanisms in the RHI and Feed-in Tariff Schemes

	Domestic RHI degression	Non-domestic RHI degression	Feed-in Tariff Solar PV degression	All other Feed-in Tariff degression
Timing of announcements	Quarterly	Quarterly	Quarterly	Annually (or every 6 months if deployment is high)
Are tariff reductions automatic or based on expenditure levels?	Only occurs if calculated spend for that technology is above the trigger for that technology	Only occurs if calculated spend is above the appropriate trigger and overall scheme deployment is above 50%	Automatic but can be skipped for a maximum of 2 successive degenerations if deployment is low	Automatic on annual basis. 6 monthly can only occur if deployment is high (around two thirds of annual deployment)
Size of base tariff reduction (rate of degression)	10% if trigger is hit	5% if technology trigger is hit and an additional 5% for all technologies deploying above expected levels if scheme deployment is high	3.5% a quarter	5% (or 2.5% in some technologies if deployment is low)
Size of degression if deployment is high or continues high following an earlier degression	20% if super trigger (twice the trigger) is hit	If there has been a degression in the previous quarter there can be a 5, 10 or 20% degression, depending on the level of growth (overall scheme spend must also exceed 50%)	The baseline degression rate is doubled each time deployment exceeds a specified threshold, up to a maximum of 28%	10% (if over 150% of expected deployment) or 20% (if over 300% of expected deployment)
DECC publications	Deployment statistics published on a monthly basis Tariff change notice published at least one month before they come into effect	Deployment statistics published on a monthly basis Tariff change notice published at least one month before they come into effect	Deployment statistics published on a monthly basis New tariffs published by the end of the first month of each three-month period	Deployment statistics published annually in January. New tariffs published by 1 February each year If six month degression is triggered new tariffs will apply from 1 October and will be published by the end of July