



Department
of Energy &
Climate Change

Infrastructure Bill: The Renewable Heat Incentive

Policy Brief

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Executive summary

The Government is proposing a change to the **Infrastructure Bill 2014/15** to amend the primary legislation governing the Renewable Heat Incentive (RHI) schemes. This amendment allows for changes to the schemes meaning that participants can allocate their RHI payments to third parties and allows the Secretary of State to appoint an alternative delivery body to administer the RHI schemes. The amendment will also allow some future changes to the schemes to be made by the negative resolution procedure.

Policy Brief

Policy background:

- The Energy Act 2008 provided for the Secretary of State to establish a Renewable Heat Incentive scheme, to provide financial support for the deployment of renewable heating technologies throughout Great Britain.
- The RHI was introduced to help the UK achieve its legally binding EU target of generating 15% of energy from renewable sources by 2020. Renewable heat is also essential to meet our target of an 80% reduction in carbon emissions by 2050.
- The non-domestic RHI was launched in November 2011. This was followed by the domestic RHI, launched in April 2014.
- The changes proposed as part of the Infrastructure Bill will allow significant improvement in the efficiency and cost effectiveness of both the non-domestic and domestic RHI schemes.

Scheme administration:

- The Energy Act 2008 currently limits the administration of the RHI to either Ofgem or the DECC Secretary of State.
- The amendment proposed through the Infrastructure Bill will allow the Secretary of State to appoint an alternative delivery body to administer the RHI schemes.
- While Ofgem is successfully administering both RHI schemes, this change will increase the competition for delivery of the RHI to ensure best value for money. The Government views this change as essential for ensuring the long term cost effectiveness of the delivery of the schemes.
- Any new administrator will be confirmed by detailed secondary legislation following market engagement in line with Cabinet Office principles; and any subsequent competitive tender that Government launch.
- Any change to the administration of the RHI schemes would be managed to minimise impacts upon participants.
- Government would set any tender requirements at a level which maintains and further improves the delivery of the RHI in the future.
- In making this change, we will retain the power for Ofgem to administer the scheme in the future; and Ofgem will remain the scheme administrator in the interim.

Assignment of payments:

- The Energy Act 2008 allows for payments under the schemes to be made to the owner of the renewable heat installation or to the producers of biomethane, biogas and bio-fuels for heating.
- The amendment proposed through the Infrastructure Bill will allow these parties to assign the payments under the scheme to a third party, allowing the scheme administrator to make payments directly to the assigned party.
- This could lead to an increase in both demand for and supply of renewable heat technologies by allowing consumers to access finance for renewable heat installations more cheaply and easily. This could lead to a mix of higher deployment and lower costs, depending in part on future spending decisions.
- Amendments will be required to secondary legislation to bring these changes to scheme rules into effect.

Parliamentary procedures:

- The Energy Act 2008 currently requires that all secondary legislation in relation to the schemes be made via the affirmative resolution procedures, regardless of their level of complexity or materiality.
- The affirmative procedure can take six to nine months to complete, making it difficult for DECC to respond quickly to any market changes that might require amendment to the schemes. This risks undermining confidence in the schemes.
- The amendment proposed through the Infrastructure Bill will allow some changes to be made to the existing schemes by the negative resolution procedure, which offers a more streamlined approach, but still leaves Parliament the option of debating changes if required.
- Examples of where the amendment would allow negative resolution procedures include changes implementing straightforward streamlining measures to reduce red tape; changes to allow consumers to benefit from new and improved technologies more quickly and manufacturers and installers to take advantage of the growing renewable heating market and; changes to tariffs where Government becomes aware of significant changes in technology costs or other changes in the market, moving to either increase tariffs to drive demand or quickly address overcompensation.
- There are certain areas where DECC thinks the affirmative procedure should be retained. This includes changes to the energy sources and types of technology that are defined as renewable heat for the purposes of the RHI, changes to the inspection and sanction powers, changes bringing about any form of levy to fund the scheme or more generally instances where any new scheme is introduced.

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