

## RHI stand-by mechanism for budget management: methodology for estimated committed expenditure

The estimated commitment for 2012/13 will be the spend to date plus an estimate of the spend for accreditations, applications and pre-accreditations.

The spend to date will be provided by Ofgem and will be calculated using the technology specific tariff and the amount of eligible heat produced, which are provided for each installation every 3 months from the scheme accreditation date.

The estimated spend will be calculated for each installation by multiplying the capacity by the number of hours remaining until the end of the year by the estimated proportion of eligible heat generated. A seasonal factor will be applied to installations that are used for space heating.

The method for calculating the proportion of eligible heat generated will be calculated using either metered data or the self reported “average hours of operation per week” depending on the technology.

- For process heat generated by large and medium biomass boilers the proportion of eligible heat generated will be the mean proportion of the reported “average hours of operation per week”. This will be calculated by taking the mean of “average hours of operation per week” for all installations and divided by the total number of hours in a week.
- For all other installations the proportion of eligible heat generated will be the mean proportion of eligible heat generated calculated from meter readings for accredited installations. This will be calculated by taking the amount of eligible heat produced for each accreditation that has received a payment and dividing it by the potential heat generated over the same time period (calculated from the capacity and number of hours the technology could be in operation for) and then taking the mean of these proportions. When there is sufficient data, this will be broken down by tariff band, which is based on the type of technology, and heating use; either space, water or process heating. Sufficient in this case is assumed to be at least 20 data points within a category.

The seasonal factor is a normalised average of non-domestic gas consumption per quarter for the previous 14 years. This is calculated by gas consumed within a quarter and dividing by the average amount of gas consumed for that year. An average for the same quarter over 14 years is then taken.

Table 1: Seasonal factors by quarter

Calendar quarter	Q1	Q2	Q3	Q4
Factor	1.36	0.86	0.65	1.14

Bio-methane installations will be treated separately by collecting the relevant information from the installers for their estimated heat generated and then calculating the associated payments. This will be added to the estimated committed expenditure for all other installations.

This methodology covers only estimated committed in-year spend for 2012/13 as it will be used to assess whether the trigger for suspension of £67.9m has been reached. For this reason the estimate does not include additional applications that might happen within the financial year.