

RHI budget caps

In the 2015 Autumn Statement the government announced the continuation of the RHI for the 2016-21 Spending Review period with the introduction of budget caps. The detail of the caps was set out in the [RHI consultation](#). The new budget caps were introduced from 1 April 2016 and are now in place.

As detailed in the consultation, the budget caps cover the combined expenditure from both the Non-domestic and Domestic schemes. Further detail on the operation of the cap can be found in the [government response](#) to the consultation.

Current financial commitment

We will provide monthly updates of estimated in-year expenditure for those plants supported by the scheme as at the end of the previous month.

These assessments show, based on data from the end of the previous month, the estimated in-year expenditure for each year covered by the caps. It also takes account of the potential for individual plant to incur a different level of financial commitment in different years – for instance a plant accredited part way through this financial year will represent less expenditure in this year than it will in future years.

The data below are an estimate of the spend we have committed to, for applications and accreditations received **up to 30 April 2017**. It is not a forecast of total spend for this financial year as it does not include estimates of spend on applications received over the remainder of the financial year.

This publication is in addition to our regular publications on RHI deployment statistics¹ and the RHI depression publications². Key differences from the depression publication are explained below.

Table 1

	16/17	17/18	18/19	19/20	20/21
Budget cap	£640m	£780m	£900m	£1010m	£1150m
Current estimate of committed spend	£554m	£697m	£738m	£772m	£793m
<i>Non-domestic</i>	<i>£462m</i>	<i>£596m</i>	<i>£634m</i>	<i>£664m</i>	<i>£681m</i>
<i>Domestic</i>	<i>£92m</i>	<i>£101m</i>	<i>£104m</i>	<i>£108m</i>	<i>£112m</i>

Figures may not sum due to rounding

Differences from depression publication

These figures differ from expenditure commitments provided for the purposes of depression. Depression figures are higher because they represent an estimate of full annual commitments of all plants in the scheme. This means depression does not take into account the fact that a plant which is accredited part way through the year will only output a part of its capacity in the current financial year. It also assumes immediate production at full capacity which is not always the case, particularly

¹ RHI monthly deployment statistics: www.gov.uk/government/collections/renewable-heat-incentive-statistics

² Non-Domestic: www.gov.uk/government/publications/rhi-mechanism-for-budget-management-estimated-commitments;
Domestic: www.gov.uk/government/publications/domestic-rhi-mechanism-for-budget-management-estimated-commitments

with biomethane plants. This is in line with the methodology laid out in regulations. In contrast, the estimates in the tables above and below include the use of production profiles for new plant based on past behaviour within the scheme.

Additionally, these figures do *not* include preliminary applications (which are included in degrossing) because we have made no commitment to spend on these plants. It is not certain whether a preliminary application will lead to a full application being submitted and accredited, or what tariff the full application would receive.

Previous estimates of committed spend

The table below provides a summary of the previous monthly estimates using the current methodology in order to show how the estimates of committed spend are changing over time. The table does not include the earlier estimates based on degrossing as the methodological differences outlined above mean that comparing them is not helpful in assessing the trajectory of commitments against the cap.

Table 2

	16/17	17/18	18/19	19/20	20/21
Budget cap	£640m	£780m	£900m	£1010m	£1150m
Estimates of committed spend					
Data to end Apr 2017	£554m	£697m	£738m	£772m	£793m
Data to end Mar 2017	£553m	£684m	£723m	£756m	£776m
Data to end Feb 2017	£550m	£648m	£687m	£719m	£738m
Data to end Jan 2017	£551m	£652m	£683m	£707m	£727m
Data to end Dec 2016	£547m	£645m	£674m	£699m	£718m
Data to end Nov 2016	£545m	£631m	£653m	£676m	£695m
Data to end Oct 2016	£553m	£639m	£655m	£676m	£696m
Data to end Sep 2016	£561m	£648m	£664m	£686m	£706m
Data to end Aug 2016	£553m	£622m	£634m	£653m	£669m
Data to end Jul 2016	£556m	£616m	£628m	£647m	£663m
Data to end Jun 2016	£561m	£611m	£623m	£642m	£658m

Variations in estimated spend from the previous months' publications can be due to a variety of factors. There may be revisions to load factor estimates based on new information being received. There may also be applications which have become inactive so would no longer be counted towards the committed spend. Additionally, large individual plants can have significant impacts on the spend for current year estimates if, for example, a quarterly meter reading is much higher or lower than expected.

As part of our ongoing commitment to producing robust estimates of spend, we have updated our inflation assumptions (RPI and CPI). Inflation assumptions for 2017/18 come from the CPI/RPI % changes between Dec 2015 and Dec 2016 published by the Office for National Statistics³. Assumptions from 2018/19 onwards are in line with revised forecasts from the Office for Budgetary Responsibility⁴. These assumptions are intended to forecast the inflationary uplift applied to tariffs by Ofgem at the start of each financial year. These rates are used for modelling purposes only and

³ ONS Inflation and price indices (CPI and RPI)

www.ons.gov.uk/economy/inflationandpriceindices

⁴ OBR Economic and fiscal outlook supplementary economy tables – November 2016:

<http://budgetresponsibility.org.uk/download/economic-fiscal-outlook-supplementary-economy-tables-november-2016/>

For enquiries about this publication contact RHI@beis.gov.uk.

should not be construed as guides for the actual annual tariff uplift applied by Ofgem. These revised assumptions have been applied to estimates from **December 2016** onwards.

From August 2016, we updated our methodology for calculating non-domestic load factors. We have applied a correction to installations for which we hold 12 months (or more) of payment data in order to reduce the effect of seasonality on their load factors. This should provide a more robust forward estimate of spend. Although this means that our Non-domestic scheme estimates from August 2016 onwards are not strictly comparable with prior months' estimates, the overall difference caused by this methodology change is very small. This change does not affect our Domestic scheme estimates.