

Workshop 4d:

RHI in social housing – making renewable heat work

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Chaired by: Andrew Burke

Room: Charlecote Room



National Housing Maintenance Forum

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Renewable Heat Incentive (RHI)

The first step in transforming the way we heat our homes

NHMF Conference 2014

Steve Roberts

22nd January 2014



Heat and Energy Use

The Context

Heat is the single biggest reason we use energy in our society

- Over 70% of all the heat used in the UK – in homes, businesses and industry – comes from gas, a fossil fuel
- Around a third of the UK's carbon emissions come from the energy used to produce heat
- 44% of final energy consumed in UK is used to generate heat for domestic, commercial and industrial purposes
- As a country, we spend £32 billion a year on heating

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Heat and Energy Use

Targets

Ambitious targets to reduce emissions

Climate Change Act 2008 set ambitious targets:

- 80% reduction in UK's GGE by 2050
- 34% reduction by 2020
- Our buildings will need to be virtually zero carbon by 2050

Under EU Renewable Energy Directive 2009 we have a binding commitment to increase renewable energy use to 15% by 2020

- Renewable heat could contribute about 1/3 of this target
- To make that contribution around 12% of our total heat demand in 2020 would have to come from renewables

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Heat and Energy Use

Government Policies

Renewable Heat Incentive

- A world first policy to incentivise the uptake of renewable heating systems like biomass boilers and heat pumps in all sectors
- Designed to kick-start the supply chains for renewable heat in the period up to 2020
- Non-domestic scheme was launched in November 2011
- Full details of the domestic scheme were announced in July 2013
- Homeowners and social landlords have been supported by the Renewable Heat Premium Payment scheme in the interim period

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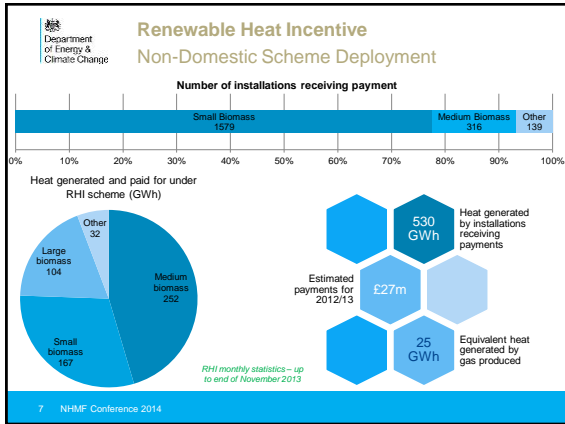
Renewable Heat Incentive

Non Domestic RHI

Non-domestic RHI

- Provides subsidy, payable for 20 years, to eligible, non-domestic renewable heat generators based in GB
- Covers biomass boilers, biomass CHP, GSHP, ASHP, biogas combustion, deep geothermal and biomethane
- Currently open to non-domestic sector: includes industrial, commercial, public sector and not-for-profit organisations
 - This includes businesses, hospitals and schools, as well as **district heating schemes** (eg – one boiler serves multiple homes)
 - Also available to producers of biomethane

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Renewable Heat Incentive RHPP scheme for domestic properties

Department of Energy & Climate Change

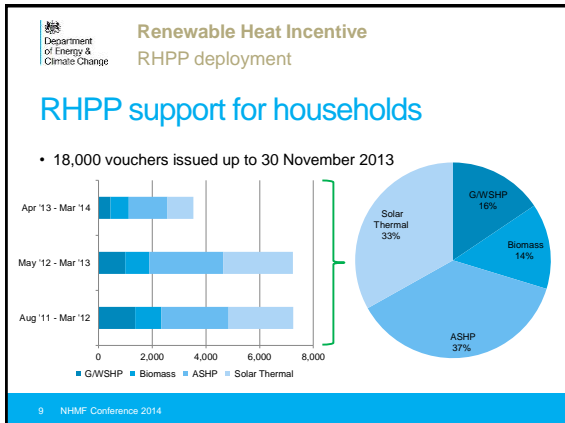
RHPP support for households

Voucher Levels

- Phase 1 (Aug 2011 – Mar 2012) supported over 6,000 installations
- Phase 2 (Apr 2012 – Mar 2013) expected to support more than 11,000 installations
- Extension to RHPP 2 announced March 2013, increased tariffs announced in May
- RHPP recipients still eligible to apply for domestic RHI scheme

Voucher Level	Value
ASHP	£1,300
Biomass	£2,000
GSHP	£2,300
Solar Thermal	£600

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Renewable Heat Incentive Support for Social Landlords

Department of Energy & Climate Change

RHPP funding towards cost of tenants' renewable heat systems

- Social Landlords could bid for funding under series of competitions
- RHPP 1: 37 landlords received £3.7m for delivering 961 renewable heating systems in 927 homes
- RHPP 2: grants offered to 90+ landlords to deliver 5,000+ installations
- New competitions launched 2 May 2013, with increase in voucher levels and grant maxima announced 20 May. Grants offered to over 100 landlords to deliver around 4,500 installations

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Renewable Heat Incentive Support for Social Landlords

Department of Energy & Climate Change

Two competitions in 2013 – over £12m

Grant Maxima

- Fast-Track Competition for landlords who have projects ready in the pipeline
 - Announced on 24th July: 46 successful landlords shared funds of just over £7million for nearly 2,400 renewable heating installations
- Reach-Out Competition for landlords who need more information, advice or support before committing
 - Announced on 24th October: 57 social landlords awarded a share of £5 million for 2,100 renewable heating installations





Technology	Grant Maxima
ASHP	£4,400
Biomass	£6,100
GSHP	£7,900
Solar Thermal	£2,000

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Renewable Heat Incentive (RHI) – The Domestic RHI

Department of Energy & Climate Change

Renewable Heat Incentive
Domestic RHI - Technologies

Biomass boilers	Air source heat pumps	Ground source heat pumps	Solar thermal
 <ul style="list-style-type: none"> Biomass-only boilers (log, chip, pellet), and pellet stoves with back boilers Need to meet air quality standards Fuel must meet sustainability standards 	 <ul style="list-style-type: none"> Minimum performance standard (SPF) of 2.5 – in line with RES Directive 	 <ul style="list-style-type: none"> Minimum performance standard (SPF) of 2.5 – in line with RES Directive 	 <ul style="list-style-type: none"> Evacuated tube and flat plate Can receive RHI for solar thermal + another renewable tech
12.2p/kWh	7.3p/kWh	18.8p/kWh	19.2p/kWh

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Renewable Heat Incentive
Domestic RHI - Who is eligible?

ELIGIBLE

- Owner occupiers**
 - Off gas grid is key market
- Private landlords**
 - Landlord will receive RHI
 - Tenant will benefit from reduced running costs
- Social landlords**
 - Large market (4m dwellings in England) – cost effective approach to large scale rollout
 - Significant savings to be made from electric / oil heating – tackles fuel poverty
- Self-build**
 - Likely to be early adopters
 - Important sector for Government
- Legacy**
 - Installed since 15th July 2009 – date of publication of Renewable Energy Strategy
 - Same eligibility criteria as new applicants (other than current MCS standards and air quality)

INELIGIBLE

- New build (developers)**
 - Tariff scheme doesn't work for developers as they do not remain owner of property

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Renewable Heat Incentive
Domestic RHI

Payments and metering

- Payments will be made on a quarterly basis for 7 years
- Tariff levels reflect expected costs of renewable heat generation over 20 year period, paid over 7 years
 - Targeted but not limited to off-gas homes
- In most cases, payments will be made based on estimated heat demand of the property
 - Heating and hot water demand taken from the EPC
 - Heat pump performance taken into account via SPF
- Green Deal assessment will be required for all applicants (except self-builders) – basic insulation measures must be taken

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Renewable Heat Incentive
Domestic RHI

A semi-detached house off-gas grid in a rural location with a heat demand of 10,000kWh/year could get:

- £500/year in RHI payments for generating heat with an air source heat pump (tariff is 7.3p/kWh), with a small on-going fuel and operating cost saving
- £1,300/year for a biomass boiler (tariff is 12.2p/kWh), with approximately £100/year of fuel and operating cost savings
- £1,400/year for a ground source heat pump (tariff is 18.8p/kWh) with approximately £120/year of fuel and operating cost savings

A detached house off-gas grid in a rural location with a heat demand of 18,000kWh/year could get:

- £800/year in RHI payments for generating heat with an air source heat pump (tariff is 7.3p/kWh)
- £2,200/year for a biomass boiler (tariff is 12.2p/kWh) with approximately £100/year of fuel and operating cost savings
- £2,400/year for a ground source heat pump (tariff is 18.8p/kWh) with over £150/year of fuel and operating cost savings

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Renewable Heat Incentive
Domestic RHI

Launch Plans

- Application process via Ofgem expected to go live this spring
 - Highly automated system – much simpler than non-domestic scheme!
- All eligible installations since July 2009 can apply
 - Legacy applicants will be phased
- People who have received RHPP will see the amount of the grant deducted from their payments in instalments over the 7 year term
- Other grants from public funds may also be repayable in order to gain RHI eligibility
 - Grants from non-public sources don't affect eligibility e.g. CERT
- Installations that were 100% funded will not be eligible

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Renewable Heat Incentive
Support for Social Landlords

Social Landlords in the RHI

- Registered Providers of Social Housing will be able to apply for properties they own, and will receive the RHI payments
 - Tenants will benefit from any running costs reductions
- Existing installations that meet the eligibility criteria will also be able to claim RHI payments
- Communal or district heating schemes can apply for the non-domestic RHI
 - More than one house is the definition of a communal system
 - Ideal for blocks of flats using a central energy centre
- Compatible with ECO in many cases

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EU Energy Efficiency Directive: Metering and billing of heating and cooling

- DECC is running a consultation on implementing of the EU Energy Efficiency Directive, as it applies to **district heating, district cooling and communal heating and/or hot water**.
- The Directive contains some mandatory requirements for metering and billing. Other requirements are subject to tests of cost-efficiency and technical feasibility.
- **The consultation will run until 21 February**
- A number of workshops are planned where DECC's Heat team will set out the Directive's requirements and the proposed options for implementation
- Please email heatstrategy@decc.gsi.gov.uk if you would like to attend a workshop or if you have any queries or questions about the consultation
- The consultation can be found on the DECC website:

<https://www.gov.uk/government/organisations/department-of-energy-climate-change>

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Renewable Heat Incentive Domestic RHI

Summary

- Full domestic RHI launches this spring
- Big opportunity for social landlords to use this funding stream to upgrade heating systems for their tenants
 - Particularly in off-gas areas replacing old storage heaters, solid fuel or oil/LPG boilers
- Non-domestic RHI can help fund communal schemes for flats and groups of houses
 - DECC's new Heat Networks Delivery Unit is helping to fund the development of heat networks with Local Authorities
- DECC is very keen to see deployment of renewable heat in the social housing sector – feel free to contact us to discuss barriers!

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Thank you!

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