

Fact Sheet

Page (s) **1** **1**

Renewable Heat Incentive (RHI)

The Renewable Heat Incentive (RHI) scheme is currently out for consultation hence the details here may change before the scheme is launched in April 2011, however the main points are not expected to change in any major way.

In February, the Government produced a consultation document on the proposed Renewable Heat Incentive (RHI) scheme. This consultation sets out the Government's proposals on the design and operation of the Renewable Heat Incentive, with the aim of providing financial support that encourages individuals, communities and businesses to switch from using fossil fuel for heating, to renewable technologies and sources.

The following are the key aspects of the RHI:

- The scheme should support a range of technologies, including air, water and ground -source heat pumps (and other geothermal energy), solar thermal, biomass boilers, renewable combined heat and power, use of biogas and bioliquids and the injection of bi methane into the natural gas grid.
- RHI payments to be claimed by, and paid to, the owner of the equipment. The RHI will be available to householders, local authorities and social landlords as well as the public, industrial and commercial sectors. All installations commissioned after 15th July 2009 will be seen as a "new installation" and will be eligible for the RHI.
- In small and medium-sized installations, both installers and equipment to be certified under the Microgeneration Certification Scheme (MCS) or equivalent standard, helping to ensure quality assurance and consumer protection.
- Payments will be paid over the life of the equipment (for Ground Source 23 years) and will be inflation linked and guaranteed; annually for installations below 45 kW and quarterly for those above this level; and always subject to conditions such as continuing to operate and maintain the equipment.
- Tariff levels have been calculated to bridge the financial gap between the cost of conventional and renewable heat systems at all scales, with additional compensation for certain technologies for an element of the non-financial cost (e.g. the inconvenience of digging up a garden to install a ground-source heat pump). Tariff levels are proposed to provide a rate of return of 12% on the additional capital cost of renewables, with a lower rate of return of 6% given to solar thermal.

Proposed tariff (p/kWh) Tariff

Ground source heat pumps.	Up to 45kW 7p/kWh for 23 years
	45 to 350kW 5.5p/kWh for 20 years
	350kW and above 1.5p/kWh for 20 years

Payments are to be calculated on the annual amount of heat output, expressed in

Continued

Facts at a glance:

Tariffs for Ground Source Heat Pumps:

Up to 45kW 7p/kWh
45 to 350kW 5.5p/kWh
350kW and above 1.5p/kWh

Payments

These are paid annually below 45kW and above 45kW quarterly. They are guaranteed for the life of the product, i.e. 20-23 years for GSHP and are inflation linked.

Existing Installations

Any installation commissioned after 15th July 2009 will be eligible for the RHI scheme.

Interaction with other grants:

The Government has confirmed that grants such as the Low Carbon Buildings Programme at the domestic level will still be currently available in conjunction with the RHI.

Eligibility

The RHI will be available to householders, local authorities and social landlords as well as the public, industrial and commercial sectors.

Whole House Approach:

The scheme will require basic minimum level of energy efficiency. For existing homes this would be:

- at least 125mm of loft insulation; and
- cavity wall filled where appropriate.

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kilowatt hours (kWh). At the small and medium scale, the amount of heat generated by the equipment is proposed to be estimated (or “deemed”) when installed in most cases. This will allow the beneficiary of the incentive to receive a set amount based on the deemed output, to encourage low energy consumption and discourage wasting heat.

- The RHI will encourage renewable energy systems to be installed in buildings adopting a basic level of energy efficiency measures in a “whole-house approach”. A basic minimum level of energy efficiency required for existing homes would be:

- i) at least 125mm of loft insulation; and
- ii) cavity wall filled where appropriate.

To incentivise households to implement these standards, the scheme proposes to introduce so-called “deemed” (rather than metered) compensation under the RHI. This would be done through an assessment using the Standard Assessment Procedure, (SAP) (or similar) used for energy rating of buildings to identify the appropriate deemed heat demand of the building based on the assumption that the minimum, energy efficiency measures will have been taken up alongside the renewable heat installation.

- The renewable heat installation will be the sole fixed heating installation in the property (not counting any immersion heater that may form part of such installation).
- Current Grant schemes such as the Low Carbon Buildings Programme, CERT and CSEP will currently still be available and can be claimed as well as the RHI.

Example of the expected RHI returns:-

Detached property with 3 bedrooms and an annual space heating load of 15,774kWh/year and DHW load of 3,742kWh/year.

Space Efficiency of GSHP (SAP)	DHW Efficiency of GSHP (SAP)	Tariff from RHI (£/kWh)	Annual contribution from RHI	Electrical Power absorbed by GSHP kWh/yr	Annual running cost based on 12p/kWh	Annual income from RHI	Life of GSHP (years)	Total income from RHI
320%	224%	0.07	£1,366	6,600	£792	£574	23	£13,202

Semi-detached Property with 2 bedrooms and an annual space heating load of 8,998kWh/year and DHW load of 3,742kWh/year.

Space Efficiency of GSHP (SAP)	DHW Efficiency of GSHP (SAP)	Tariff from RHI (£/kWh)	Annual contribution from RHI	Electrical Power absorbed by GSHP kWh/yr	Annual running cost based on 12p/kWh	Annual income from RHI	Life of GSHP (years)	Total income from RHI
320%	224%	0.07	£892	4,482	£538	£354	23	£8,142

The figures above are an estimate only. For further information please contact Kensa Engineering.