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Domestic Renewable Heat Incentive (DRHI)

Annual Report

Scheme Year 10 (1 April 2023 – 31 March 2024)

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Foreword

To achieve the government's 2050 Net Zero target, The Department for Energy Security and Net Zero (DESNZ) projects that the annual deployment of heat pumps will need to continue increasing after 2028, and potentially reach up to 1.6 million installations per year by 2035.[1]

The Domestic Renewable Heat Incentive (DRHI) scheme was introduced in 2014 to support the use of renewable heat in domestic properties and has since laid a strong foundation from which to reach the government's ambitions. The scheme was designed with decarbonisation at its heart, providing financial incentives for the installation of domestic low carbon heating technologies, including heat pumps. Eligible participants on the scheme receive quarterly payments for the heat their systems are estimated to produce for up to seven years.

DRHI policy is set by the government, and DESNZ maintain overall responsibility for the scheme. Ofgem has been the administrator for the scheme since it began in 2014. The DRHI scheme is one of a range of schemes Ofgem administers on behalf of the UK government and devolved administrations, which were worth almost £10 billion in the year 2022 to 2023. The government's schemes are designed to reduce carbon emissions and support vulnerable consumers and fall into three main categories: renewable electricity schemes, low carbon heat schemes, and energy efficiency and social schemes.

At its inception the DRHI aimed not only to diversify domestic heating away from fossil fuels, but also to support the development of an innovative and sustainable market for renewable heat technologies in the UK. Ten years on, the uptake and availability of such technologies is only increasing, and I am immensely proud of the DRHI's legacy in these developments. Since the scheme launched, the DRHI has supported the installation of almost **119,000** renewable heating systems and provided subsidies for low carbon heat in GB households worth over **£1 billion**. It has also facilitated the generation of over **8,800 GWh** of heat, enough to heat almost **770,000 typical UK homes** for a year.

Key to our role as administrator of the DRHI scheme is delivering on scheme objectives and ensuring that only those who are eligible benefit from the financial support available. This year alone, our monitoring and compliance activities have helped identify and protect just over **£703,000** of public money from being paid in error. Moreover, we have

[1] Decarbonising home heating - NAO report <https://www.nao.org.uk/reports/decarbonising-home-heating/>

introduced checks to ensure that DRHI participants cannot also benefit from the successor Boiler Upgrade Scheme (BUS), which was launched in April 2022. It is important to remind participants that due diligence checks associated with their accredited installations, as well as obligations such as annual declarations, are solely their responsibility.

In addition to our efforts to protect the public purse, I also want to draw special attention to Ofgem's valuable operational work on the DRHI scheme. We have been responsible for processing applications and application amendments, making payments to participants, and helping participants with any enquiries they may have regarding their installation. Furthermore, our drive for continuous improvement has seen us streamline our processes and ultimately make life easier for scheme participants. Helping consumers is at the core of what we do at Ofgem, and we are as committed as ever to this principle.

Though the DRHI closed to new applicants in March 2022 and many of those once accredited on the scheme have now reached the end of their support period, this does not mean that our work has stopped. With over **60,000** participants still accredited on the scheme, Ofgem continues to be ready and prepared to help scheme participants while ensuring that taxpayer money is being spent as intended.

We welcome comments from readers on the content of this report, so if you want to get in touch, please contact us at SchemesReportingFeedback@ofgem.gov.uk.

Neil Lawrence

Director, Delivery & Schemes

118,765

Accreditations

The DRHI scheme has supported the installation of 118,765 low carbon heating systems throughout its lifetime, with roughly 53,000 of these participants having reached the end of their seven-year support period as of 31 March 2024.

8.84 TWh

Heat generation

The scheme has subsidised 8.84 TWh of estimated heat generation in domestic properties since 2014. This is enough to heat almost 770,000 typical UK homes for a year.

£1.06 billion

Lifetime support

Almost £114 million was paid out in the past year of the scheme. This brings the total amount of support paid to over £1 billion for the first time, with payments totalling £1.06 billion since the scheme began in 2014.

59,889

Fossil fuel boilers replaced

A total of 59,889 boilers using fossil fuels have been replaced by lower carbon alternatives under the scheme, helping to reduce UK greenhouse gas emissions.

£703,229

Public funds protected

Through our monitoring and compliance activities we protected £703,229 of public funds in Scheme Year 10 that we either prevented from being paid incorrectly or expect to recover using our debt recovery processes.

Executive Summary

Ofgem administers a range of environmental and social schemes on behalf of government and for the devolved administrations. Together, these are worth almost £10 billion each year. Our schemes fall into three main categories: renewable electricity schemes, low carbon heat schemes, and energy efficiency and social schemes.

According to the most recent government data, heating our homes accounts for 15% of the UK's total greenhouse gas emissions[2]. To reduce carbon emissions, UK homes need to switch to lower carbon heating systems. To help achieve this, the Domestic Renewable Heat Incentive (DRHI) scheme was introduced in 2014 as a government financial incentive to promote the use of low carbon heating technologies. Under the DRHI scheme, households in England, Scotland and Wales who meet the eligibility criteria and have installed air source heat pumps, ground source heat pumps, biomass boilers or solar thermal heating systems, were able to apply to receive quarterly payments over seven years for the estimated[3] low carbon heat their systems were expected to produce. The DRHI closed to new applicants on 31 March 2022.[4]

Ofgem is responsible for the administration and successful operation of the scheme on behalf of the Department for Energy Security and Net Zero (DESNZ)[5]. Ofgem's role includes processing applications, assisting participants with any enquiries, and making payments to accredited participants for the heat they produce. Additionally, Ofgem conducts monitoring and compliance work, including audits, to ensure participants are complying with the scheme rules which helps ensure that scheme spending is used to achieve the DRHI's policy objectives and the fair and effective use of public funds.

As part of our responsibilities, we have produced this report to provide an update on scheme activity during the tenth year of the scheme (Scheme Year 10) covering the period 1 April 2023 to 31 March 2024.

[2] Final UK greenhouse gas emissions national statistics: 1990 to 2022 - GOV.UK (www.gov.uk) <https://www.gov.uk/government/statistics/final-uk-greenhouse-gas-emissions-national-statistics-1990-to-2022>
[3] Heat generation estimates are made for all DRHI installations with the exception of those installations which are metered for payment.
[4] Information on Domestic Renewable Heat Incentive (Domestic RHI) Closure. <https://www.ofgem.gov.uk/environmental-and-social-schemes/domestic-renewable-heat-incentive-domestic-rhi/domestic-renewable-heat-incentive-domestic-rhi-domestic-rhi-closure>
[5] From February 2023 the new Department for Energy Security and Net-Zero (DESNZ) are responsible for RHI policy in GB. This responsibility was previously held by BEIS (Department for Business, Energy & Industrial Strategy) until 2023 and DECC (Department of Energy & Climate Change) until 2016.

Accreditations (page 16)

As of 31 March 2024, the DRHI scheme has supported 118,765[6] lower carbon heating systems. Air source heat pumps are the dominant technology type, accounting for 67.4% of accreditations since the start of the scheme. The majority of installations, 75.1%, are located in England. However, when looking at the proportion of households in each country benefitting from the scheme, it is highest in Scotland with 0.8% of households compared to 0.4% in England. Registered Social Landlords were one of the groups eligible to apply for the DRHI and account for 20.2% of all scheme accreditations.

A key scheme objective is the replacement of domestic heating systems with lower carbon alternatives. To monitor this, DRHI applicants are required to provide details of the heating system being replaced. As of 31 March 2024, 52.7% of installations on the scheme replaced boilers. 95.7% of the replaced boilers used fossil fuels such as oil, gas, coal and liquefied petroleum gas (LPG). 'First heating systems' installed in eligible new builds[7], where no heating technology was being replaced, accounted for 19.7% of all installations and storage heaters a further 17.7%.

The scheme closed to new applicants in March 2022. However, in Scheme Year 10 we granted 23 accreditations for applications received prior to scheme closure, while 99.9% of applications in the queue at scheme closure have now been processed.[8] This leaves just one outstanding application which is complex and requires significant engagement with the applicant to resolve.

As of 31 March 2024, applications that received accreditation during the first three years of the scheme have reached the end of their seven-year support period. As such, approximately 53,000 installations have now exited the scheme and stopped receiving DRHI support payments.

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[6] This figure represents all eligible installations that have received support over the lifetime of the scheme. For the first time Ofgem figures include installations that had their accreditation revoked for not completing their annual declarations, and installations where ownership has transferred but either the new owner has not applied to take over the accreditation or their application is pending approval. DESNZ does not include any revoked cases in their figures. Ofgem also dates Transfer of Ownership (ToO) applications based on an installation's initial accreditation date, whereas DESNZ assigns installations where ownership has changed with an updated accreditation date following a successful ToO application. For these reasons, yearly and total figures may differ from those provided by DESNZ and those previously reported by Ofgem.

[7] More information on eligible newly built properties can be found on our website: Key terms explained for the Domestic Renewable Heat Incentive | Ofgem <https://www.ofgem.gov.uk/environmental-and-social-schemes/domestic-renewable-heat-incentive-domestic-rhi/contacts-guidance-and-resources/key-terms-explained-domestic-renewable-heat-incentive>

[8] Please note that following accreditation DRHI payments are backdated to the initial application date.

Payments and Heat Generation (page 39)

In Scheme Year 10, payments made to participants totalled approximately £114 million, taking payments since the start of the scheme to over £1 billion for the first time. Payments since the start of the scheme were made against an estimated low carbon heat generation of 8,841 GWh. The figure below presents a breakdown of payments and heat generation by technology type for Scheme Year 10 and over the scheme's lifetime.

Payments and heat generation by technology type, SY10* and since the start of the scheme

Technology	SY10 Heat Generation (GWh)	SY10 Payments	Scheme Lifetime Heat Generation (GWh)	Scheme Lifetime Payments
Air source heat pump	602.5	£72,275,591	3,934.3	£371,534,891
Ground source heat pump	151.1	£36,548,108	1,518.3	£310,529,791
Biomass boiler	54.5	£4,229,918	3,290.6	£356,110,184
Solar thermal	3.3	£810,592	98.3	£19,156,389
Total	**811.4**	**£113,864,210**	**8,841.4**	**£1,057,331,255**

**SY = Scheme Year*

As a growing number of DRHI applications reach the end of their support period, the heat output on the scheme is falling. All technologies have now passed their peak heat output on the DRHI scheme with biomass reaching its peak in Scheme Year 6, solar thermal in Scheme Year 7, GSHPs in Scheme Year 8 and ASHPs in Scheme Year 9. Although no longer receiving support under the scheme, those previously supported will continue to benefit from the low carbon heat their installations produce.

Monitoring Compliance (page 45)

As part of our commitment to protect and ensure the effective use of taxpayer money, Ofgem conducts monitoring and compliance activities, including an annual audit programme, to make sure participants comply with the scheme rules. The audit programme includes desk audits, which involve asking participants to supply certain documents and records for inspection, and site audits, which consist of a physical inspection of the heating system in addition to documents and records. Site audits are carried out by an external auditor appointed by Ofgem.

In Scheme Year 10, a total of 1,211 audits were conducted, made up of 618 desk audits and 593 site audits. These audits provide assurance on this year's payments of almost £114 million. The audit work carried out in Scheme Year 10 resulted in the protection of just over £703,000 in public funds, where we prevented incorrect payments being made to participants, or initiated recovery of incorrect payments which had already been made. In Scheme Year 10 there was an improvement in the recovery rate of payments made incorrectly, rising from 82.7% of incorrect payments made in Scheme Year 9 to 85.3% this year. The improved recovery rate can be attributed to the introduction of an enhanced repayment process and a streamlined debt process in Scheme Year 9 that was retained in Scheme Year 10 and enabled the more effective management of debt cases.

Please note: a spreadsheet containing the data used in the production of this report is published alongside the report on our website.

Contacts

For more information about the DRHI scheme, visit the Ofgem website[9].

If you can't find the information you need on our website, our customer service team will be happy to help on **0300 003 0744** or email domesticrhi@ofgem.gov.uk.

Press enquiries

For press enquiries please contact Ofgem's press office at press@ofgem.gov.uk.

Feedback

We value your feedback on this report. Please contact us at SchemesReportingFeedback@ofgem.gov.uk with any comments or suggestions.

[9] Domestic Renewable Heat Incentive (Domestic RHI) | Ofgem <https://www.ofgem.gov.uk/environmental-and-social-schemes/domestic-renewable-heat-incentive-domestic-rhi>

1. About the Scheme

This chapter introduces the context and background to the Domestic Renewable Heat Incentive (DRHI) scheme, including Ofgem's administrative duties. This chapter also summarises the significant scheme changes during the lifetime of the DRHI.

1.1 The Domestic Renewable Heat Incentive was introduced in England, Scotland and Wales in April 2014 by the Department for Energy and Climate Change (DECC)[10]. It is a financial incentive designed to encourage the uptake of lower carbon heating systems in domestic properties. The scheme aims to cut greenhouse gas emissions in Great Britain and to help towards meeting the UK's decarbonisation targets. The DRHI closed to new applications on 31 March 2022.

1.2 The scheme is set out in legislation under The Domestic Renewable Heat Incentive Scheme Regulations 2014 ('the Regulations')[11] and subsequent amendments.

1.3 Applicants must either own or occupy the property or be a private or social landlord and own the heating system. Newly built properties are not normally eligible unless they meet certain requirements[12].

1.4 There are four eligible technologies each with different eligibility requirements:

- air source heat pumps (ASHP)
- ground source heat pumps (GSHP)
- biomass boilers
- and solar thermal panels.

1.5 The Regulations do not impose a limit on capacity, but systems must be certified by the Microgeneration Certification Scheme (MCS), which has a thermal limit of

[10] From February 2023 the new Department for Energy Security and Net-Zero (DESNZ) are responsible for RHI policy in GB. This responsibility was previously held by BEIS (Department for Business, Energy & Industrial Strategy) until 2023 and DECC (Department of Energy & Climate Change) until 2016.
[11] The Domestic Renewable Heat Incentive Scheme Regulations 2014 <https://www.legislation.gov.uk/ukdsi/2014/9780111111192/contents>
[12] More information on eligible newly built properties can be found on our website: Key terms explained for the Domestic Renewable Heat Incentive | Ofgem <https://www.ofgem.gov.uk/environmental-and-social-schemes/domestic-renewable-heat-incentive-domestic-rhi/contacts-guidance-and-resources/key-terms-explained-domestic-renewable-heat-incentive>

45kW for a single renewable heating product. Products may be combined in capacity of not more than 70kW to meet larger heat demands.[13]

1.6 Applicants that are accredited to the scheme and meet their ongoing obligations will receive quarterly payments until their seven-year accreditation period ends.

1.7 The Gas and Electricity Markets Authority (the Authority) is the statutory body responsible for administering the DRHI scheme in Great Britain. The Authority's functions are performed by Ofgem, the office of the Authority. As administrator, Ofgem performs a number of functions, including:

- publishing guidance
- the review of applications to join the scheme
- ensuring that accredited scheme participants continue to meet their ongoing obligations
- calculating and making payments to accredited participants, and
- ensuring the scheme is guarded against fraud and error.

1.8 The Regulations require us to publish an annual report on the scheme by 31 July following the end of each scheme year. Each scheme year covers the period 1 April to 31 March with this report covering 1 April 2023 to 31 March 2024, also referred to as Scheme Year 10.

1.9 The Regulations set out what should be included in this annual report. However, we also include additional information that we believe is of interest to stakeholders and the wider public. We will continue to produce and publish annual reports until all accredited installations have reached the end of their support period. This is projected to be Scheme Year 15 (2028 to 2029).

[13] As specified by MCS standards: The MCS Standards <https://mcscertified.com/standards-tools-library/>

Changes to the Scheme

1.10 We continue to work closely with the Department for Energy Security and Net Zero (DESNZ), to ensure the scheme is being delivered effectively and in accordance with the policy, and to implement any changes made to the legislation. During the lifetime of the DRHI scheme, there have been several scheme changes and proposed changes which are summarised below:

29 June 2023[14]

1.11 As noted in the last annual report, the DRHI scheme regulations were assimilated into domestic law by the Retained EU Law (Revocation and Reform) Act 2023, which received Royal Assent on 29 June 2023, ensuring legal certainty and continuity of the scheme after the revocation of EU law. Accepting the closure of the DRHI scheme, this means that the Regulations will continue to operate unchanged.

21 February 2022[15]

1.12 The new statutory instrument which came into force in February 2022 closes the scheme to new applications and Metering and Monitoring Service Package (MMSP) applications from midnight on 31 March 2022 and makes several other amendments. These include amendments for the following:

- provisions relating to replacement products, annual declarations, and occupancy
- provision for the Microgeneration Certification Scheme (MCS) and the consumer codes[16] to update their standards, codes of practices and other documentation mentioned in the regulations
- metering requirements and MMSP arrangements

[14] Retained EU Law (Revocation and Reform) Act 2023 <https://www.legislation.gov.uk/ukpga/2023/28/2023-06-29>
[15] The Domestic Renewable Heat Incentive Scheme and Renewable Heat Incentive Scheme (Amendment) Regulations 2022 <https://www.legislation.gov.uk/uksi/2022/159/contents/made>
[16] All MCS installers must be registered with a Consumer Code, an organisation which outlines the principles of effective customer service and protection. More information can be found on the MCS website: Consumer Code - MCS <https://mcscertified.com/consumers-communities/consumer-code/>

- requirement that all solid biomass used on the DRHI meets the fuel quality requirements that are being introduced to the Biomass Suppliers List[17].

19 October 2021[18]

1.13 The Department for Business, Energy and Industrial Strategy (BEIS)[19] published their response to the consultation 'Domestic Renewable Heat Incentive - ensuring a stable scheme'.[20] The response to the consultation outlined BEIS' decision to close the DRHI to new applications and new MMSP applications on 31 March 2022. It also outlined further amendments to the scheme rules.

01 April 2021[21]

1.14 Government removed the rule for applicants submitting their application within 12 months of the first commissioning date of their renewable heating system. Government also revised the degression[22] triggers to remove installations that had reached the end of their seven-year term from those calculations.

11 March 2020[23]

1.15 Government announced that the DRHI would be extended for an additional year until 31 March 2022.

[17] The 'biomass suppliers list' is explained in the Key Terms on our website <https://www.ofgem.gov.uk/environmental-and-social-schemes/domestic-renewable-heat-incentive-domestic-rhi/contacts-guidance-and-resources/key-terms-explained-domestic-renewable-heat-incentive>

[18] Government response to consultation on 2022 scheme changes <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1029758/dhri-government-response.pdf>

[19] From February 2023 the new Department for Energy Security and Net-Zero (DESNZ) are responsible for RHI policy in GB. This responsibility was previously held by BEIS (Department for Business, Energy & Industrial Strategy) until 2023 and DECC (Department of Energy & Climate Change) until 2016.

[20] Government response to consultation on 2022 scheme changes <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1029758/dhri-government-response.pdf>

[21] Information on April 2021 scheme changes <https://www.gov.uk/government/publications/changes-to-the-renewable-heat-incentive-rhi-schemes/11-january-2021-changes-to-the-domestic-rhi-regulations-government-response>

[22] DRHI expenditure is controlled through a process called degression, which works by gradually lowering the tariffs that are paid to new applicants as more renewable heating is installed. More information is available on the government website: Domestic Renewable Heat Incentive (DRHI) Factsheet – Degression Mechanism <https://assets.publishing.service.gov.uk/media/5cb44f0ded915d43a185f8a5/Domestic_Factsheet.pdf>

[23] Information on March 2020 scheme changes <https://www.gov.uk/government/publications/changes-to-the-renewable-heat-incentive-rhi-schemes/changes-to-rhi-support-and-covid-19-response>

22 May 2018

1.16 The amendment in 2018 included metering for performance[24] requirements for heat pumps, new MMSP payment schedules and enforcement powers, the introduction of Assignment of Rights (AoR)[25], revised degression thresholds, as well as extending the RHI's budget management mechanism until the end of Scheme Year 8.

20 September 2017[26]

1.17 This amendment included tariff uplifts for three of the four technology types and introduced heat demand limits which are used to cap the financial support that individual installations can receive.

03 March 2016[27]

1.18 DECC published a consultation on proposed reforms to the DRHI scheme. In their consultation response it was determined that the changes would be implemented in two stages which were implemented in September 2017 and May 2018.

[24] More information about metering for performance can be found on our website: Domestic RHI: Guide to Metering | Ofgem <https://www.ofgem.gov.uk/publications/domestic-rhi-guide-metering>
[25] AoR applications were eligible from 27 June 2018 <https://www.ofgem.gov.uk/publications/domestic-rhi-guide-assignment-rights>
[26] The Renewable Heat Incentive Scheme and Domestic Renewable Heat Incentive Scheme (Amendment) (No. 2) Regulations 2017 <https://www.legislation.gov.uk/uksi/2017/857/contents/made>
[27] DESNZ's consultation response: <https://www.gov.uk/government/consultations/the-renewable-heat-incentive-a-reformed-and-refocused-scheme>

2. Accreditations

This chapter provides an update on accreditations under the Domestic Renewable Heat Incentive (DRHI) scheme. It includes detailed information on applications, accredited installation types including a breakdown by technology and country, heating system and fuel types replaced, and Registered Social Landlord accreditations. Additionally, this chapter provides an update on the Metering and Monitoring Service Package, Assignment of Rights, Transfer of Ownership applications and accreditations reaching the end of support.

Accreditations

2.1 The DRHI scheme closed to new applications on 31 March 2022. As of 31 March 2024, the number of accreditations from Scheme Year 1 to Scheme Year 10 totalled 118,765.[28] Roughly 53,000 accreditations have now reached the end of their support period on the scheme.

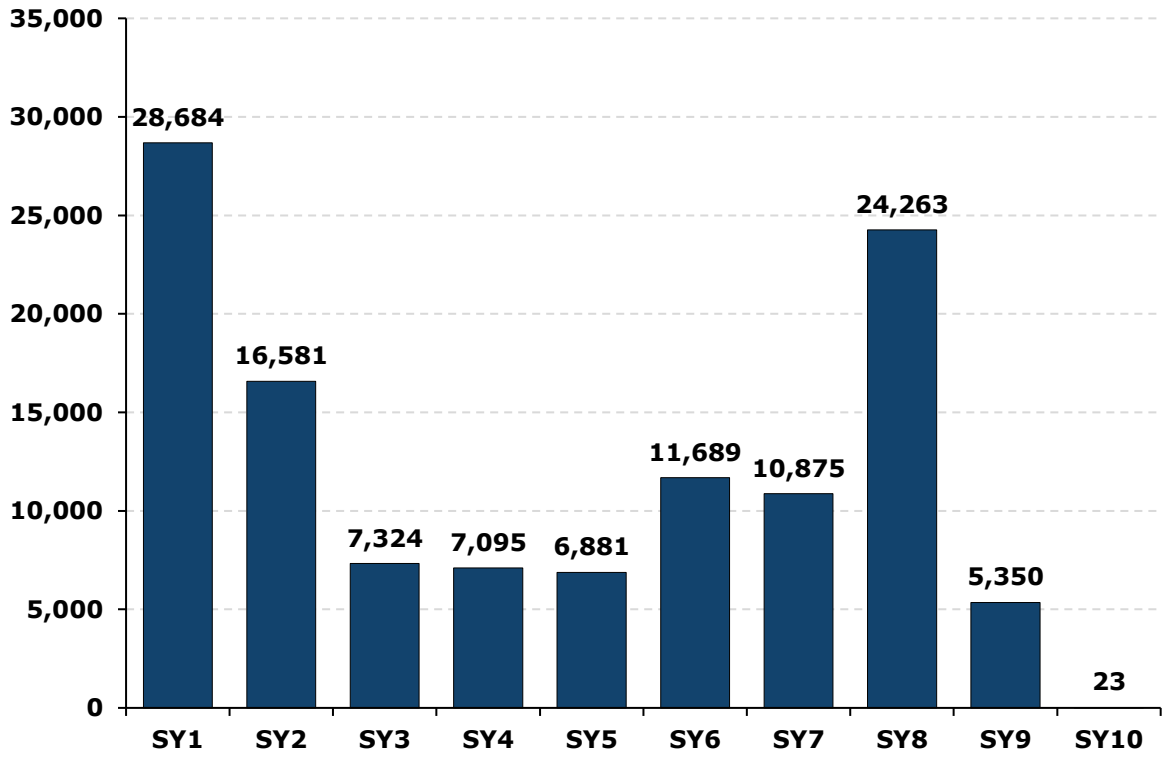
2.2 Of the total accreditations, 62,561 boilers have been replaced. Significantly, 59,889 (95.7%) of the replaced boilers used fossil fuels such as oil, gas, coal and liquified petroleum gas (LPG).

2.3 As shown in **Figure 2.1**, following scheme closure in March 2022 we granted 5,350 accreditations in Scheme Year 9 and 23 in Scheme Year 10. All accreditations granted in Scheme Year 9 and Scheme Year 10 were for applications received prior to scheme closure.[29] At the time of writing there is just one outstanding application in the queue which is complex and requires significant engagement with the applicant to resolve.

[28] This figure represents all eligible installations that have received support over the lifetime of the scheme. For the first time Ofgem figures include installations that had their accreditation revoked for not completing their annual declarations, and installations where ownership has transferred but either the new owner has not applied to take over the accreditation or their application is pending approval. DESNZ does not include any revoked cases in their figures. Ofgem also dates Transfer of Ownership (ToO) applications based on an installation's initial accreditation date, whereas DESNZ assigns installations where ownership has changed with an updated accreditation date following a successful ToO application. For these reasons, yearly and total figures may differ from those provided by DESNZ and those previously reported by Ofgem.

[29] Please note that following accreditation DRHI payments are backdated to the initial application date.

Figure 2.1: Annual DRHI accreditations – scheme launch to SY10*



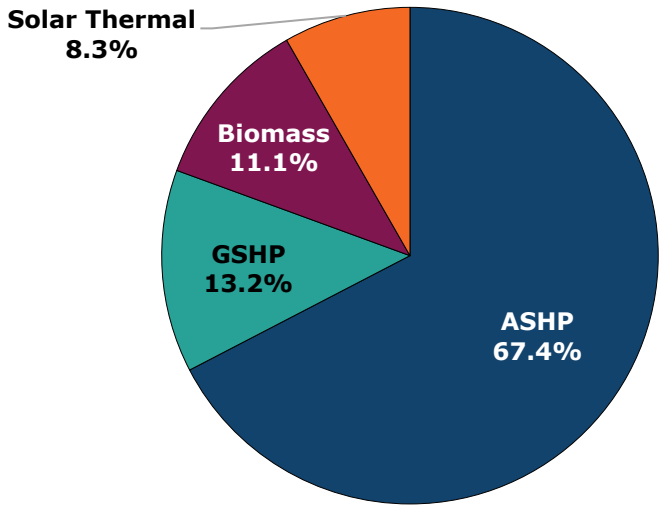
A column chart showing annual accreditation numbers from SY1 to SY10. Accreditation numbers were significantly higher in SY1 and SY2 due to the large number of legacy applications[30] joining the scheme, and SY8 due to the large volumes of applications received prior to scheme closure. Together, accreditations in SY1, SY2 and SY8 form 58.5% of all accreditations.

**SY = Scheme Year*

2.4 A percentage breakdown of DRHI accreditations by technology type since scheme launch can be seen in **Figure 2.2.** Air source heat pumps are the dominant technology type with 67.4% of accreditations.

[30] The government first announced their intention to introduce a domestic renewable heat incentive on 15 July 2009. From this point until scheme launch, those installing eligible technologies and meeting the other scheme eligibility requirements were promised they would be able to benefit from the scheme. This meant there was a backlog of eligible 'legacy' installations when the scheme launched on 9 April 2014. Scheme rules meant that Legacy applicants had to apply before 9 April 2015.

Figure 2.2: Accreditations by technology type since scheme launch



Pie chart data showing the percentage of accreditations by technology type since scheme launch. Air Source Heat Pump (ASHP) (67.4%), Ground Source Heat Pump (GSHP) (13.2%), Biomass (11.1%), and Solar Thermal (8.3%).

2.5 **Figure 2.3** shows the number of accreditations granted annually by technology type since the start of the scheme. High initial accreditation rates across all technologies reflect the processing of legacy applications alongside non-legacy applications, and deployment before heat demand limits were imposed. Trajectories after Scheme Year 2 reflect non-legacy accreditations only.

Figure 2.3 (a-d): Annual and cumulative accreditations by technology type

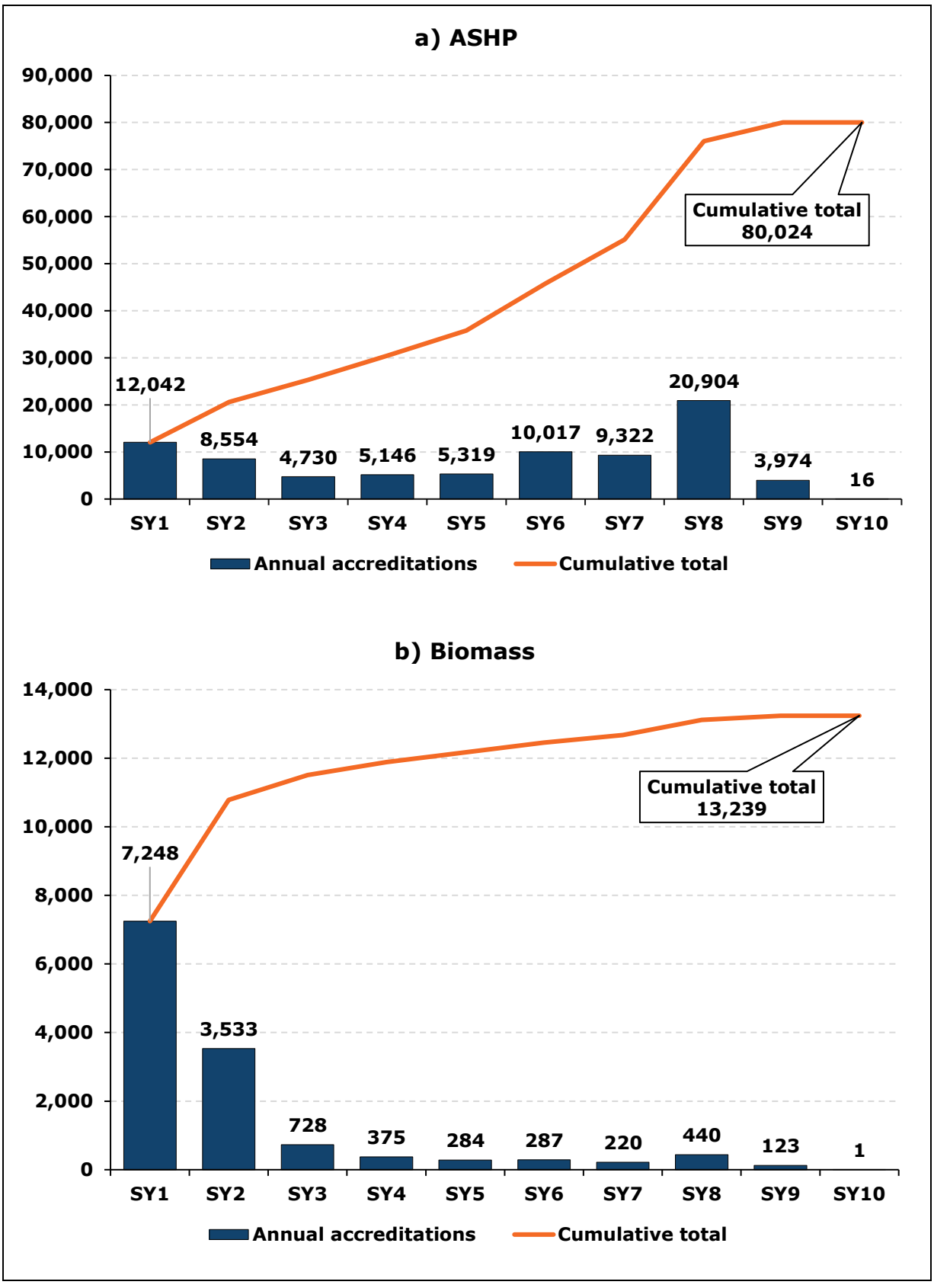


Figure 2.3 (a-d) (cont.)

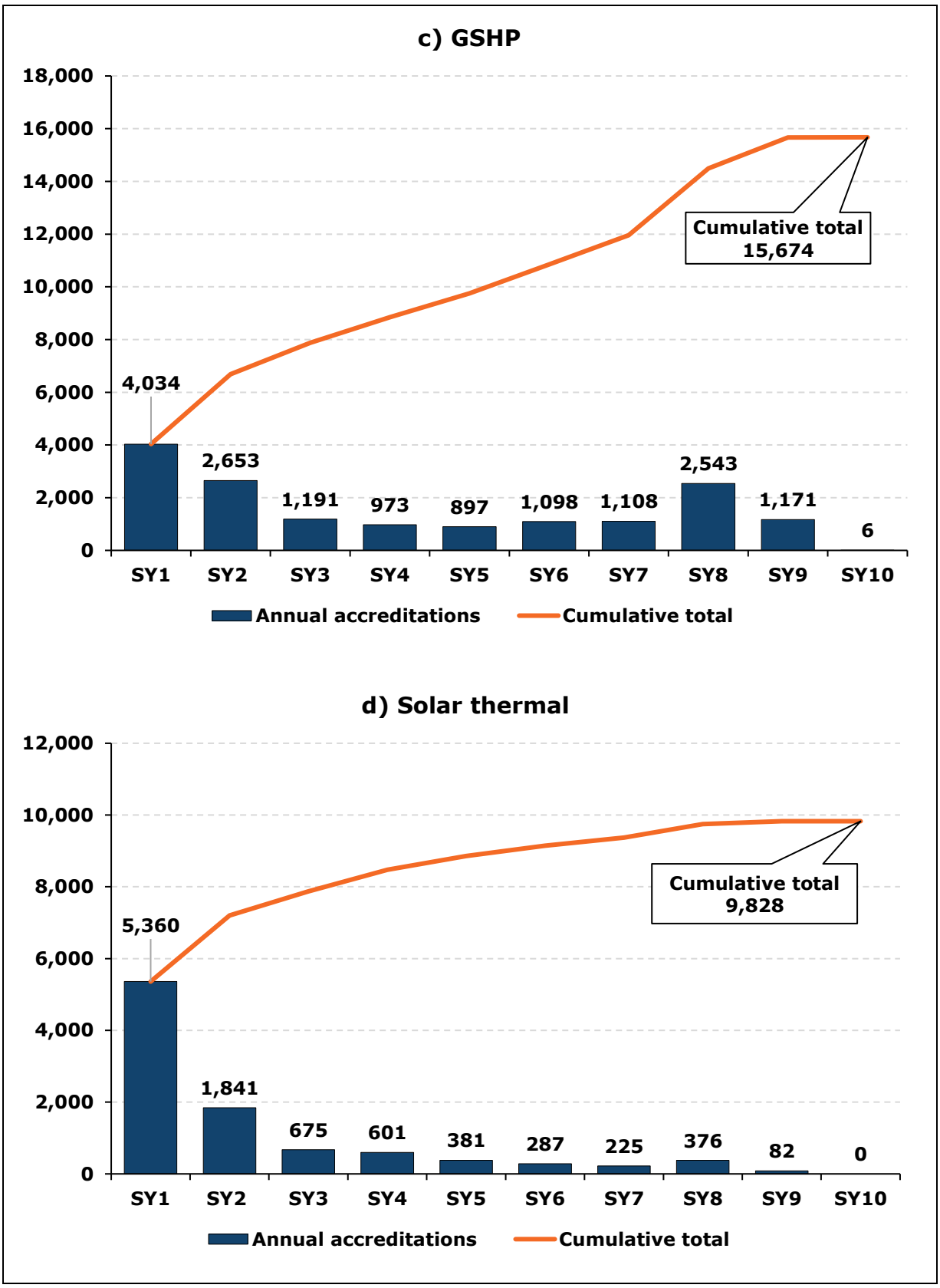


Figure 2.3 (a-d) (cont.)

Combined line and column graphs showing annual and cumulative accreditations by technology type from SY1 to SY10. At the end of SY10 ASHP totalled 80,024, followed by GSHP (15,674), Biomass (13,239) and Solar Thermal (9,828). Accreditations in SY1 were high due to legacy applications across all technology types, and in SY8 there were particularly high increases for ASHPs and GSHPs ahead of scheme closure. Following scheme closure, there were decreases across all technologies in SY9 and SY10.*

**SY = Scheme Year*

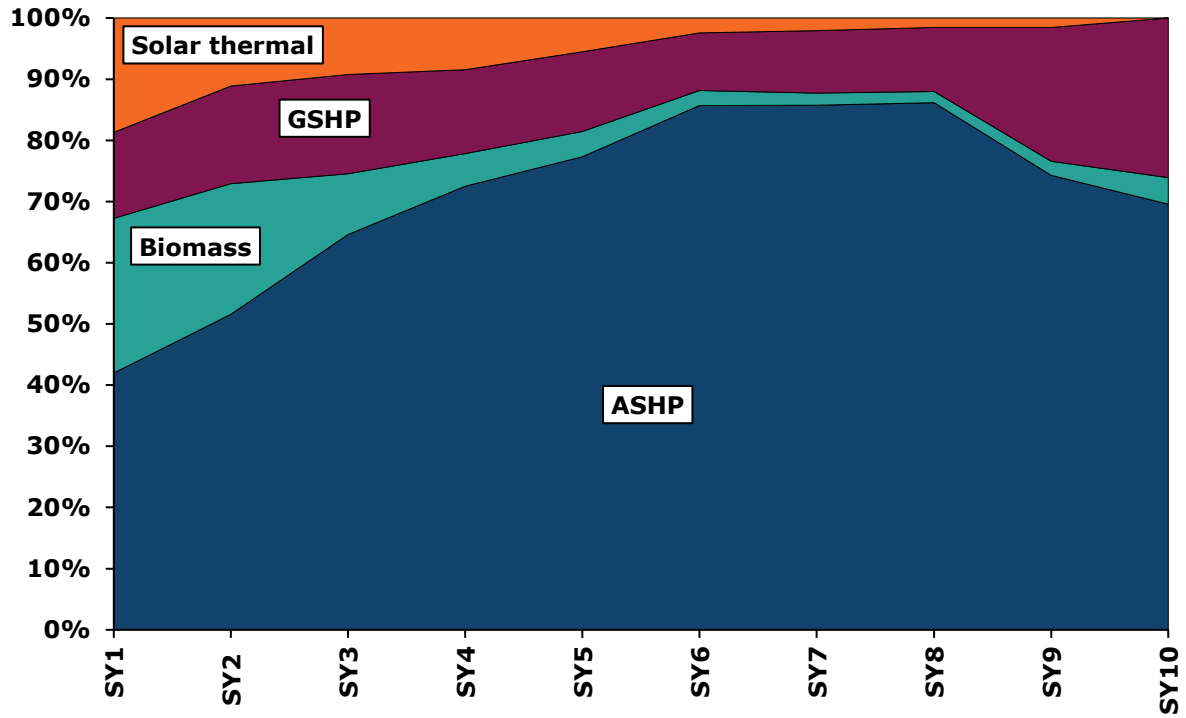
2.6 On 17 September 2017, during Scheme Year 4, a tariff uplift was applied for ASHP, GSHP and biomass installations.[31] At the same time heat demand limits were also imposed on all technology types except solar thermal. This restricted the payments that could be made to larger installations, with biomass in particular being affected. These measures had the effect of increasing the level of deployment for ASHPs and continued the decline of deployment for other technology types until Scheme Year 8, when all technology types saw a growth in accreditations ahead of scheme closure. For example, biomass accreditations in Scheme Year 7 were 40.6% lower than in Scheme Year 4, while for ASHPs accreditations in Scheme Year 7 were 82.4% higher than in Scheme Year 4. This is reflected in the annual deployment figures shown in **Figure 2.3** above.

2.7 Also shown in **Figure 2.3** is a 40.0% increase in deployment for ASHPs and a 33.9% increase for GSHPs from Scheme Year 7 to Scheme Year 8. This increase was not driven by a change in available tariffs or another policy amendment. It is likely to at least in part be driven by a growth in consumer awareness of heat pumps in the private retrofit sector, and by social landlords increasingly having carbon or net zero targets to meet. The marked increase in Scheme Year 8 and subsequent fall of accreditation rates for all technology types from Scheme Year 9 is associated with the closure of the scheme to new applicants on 31 March 2022.

2.8 As of Scheme Year 10, ASHPs accounted for 67.4% of accreditations compared to 41.5% at the start of the scheme. This highlights ASHP's increasing rate of deployment over time relative to other technologies. **Figure 2.4** below shows the proportion of accreditations by technology type in each scheme year.

[31] The Renewable Heat Incentive Scheme and Domestic Renewable Heat Incentive Scheme (Amendment) (No. 2) Regulations 2017 <https://www.legislation.gov.uk/uksi/2017/857/contents/made>

Figure 2.4: Accredited installations by technology type by scheme year



The stacked area chart above shows the proportion of installations accredited annually by technology type over the lifetime of the scheme. ASHPs have consistently contributed the highest proportion of installations each year, ranging from 42.0% in SY1 to a high of 86.2% in SY8. Biomass went from a peak of 25.3% in SY1 to a low of 1.8% in SY8. Solar thermal follows a similar trajectory, accounting for 18.7% of accreditations in SY1 but just 1.5% in SY8. GSHPs saw less variation with a high of 16.3% in SY3 and a low of 9.4% in SY6 prior to scheme closure in SY8, following which the proportion of GSHPs increased.*

**SY = Scheme Year*

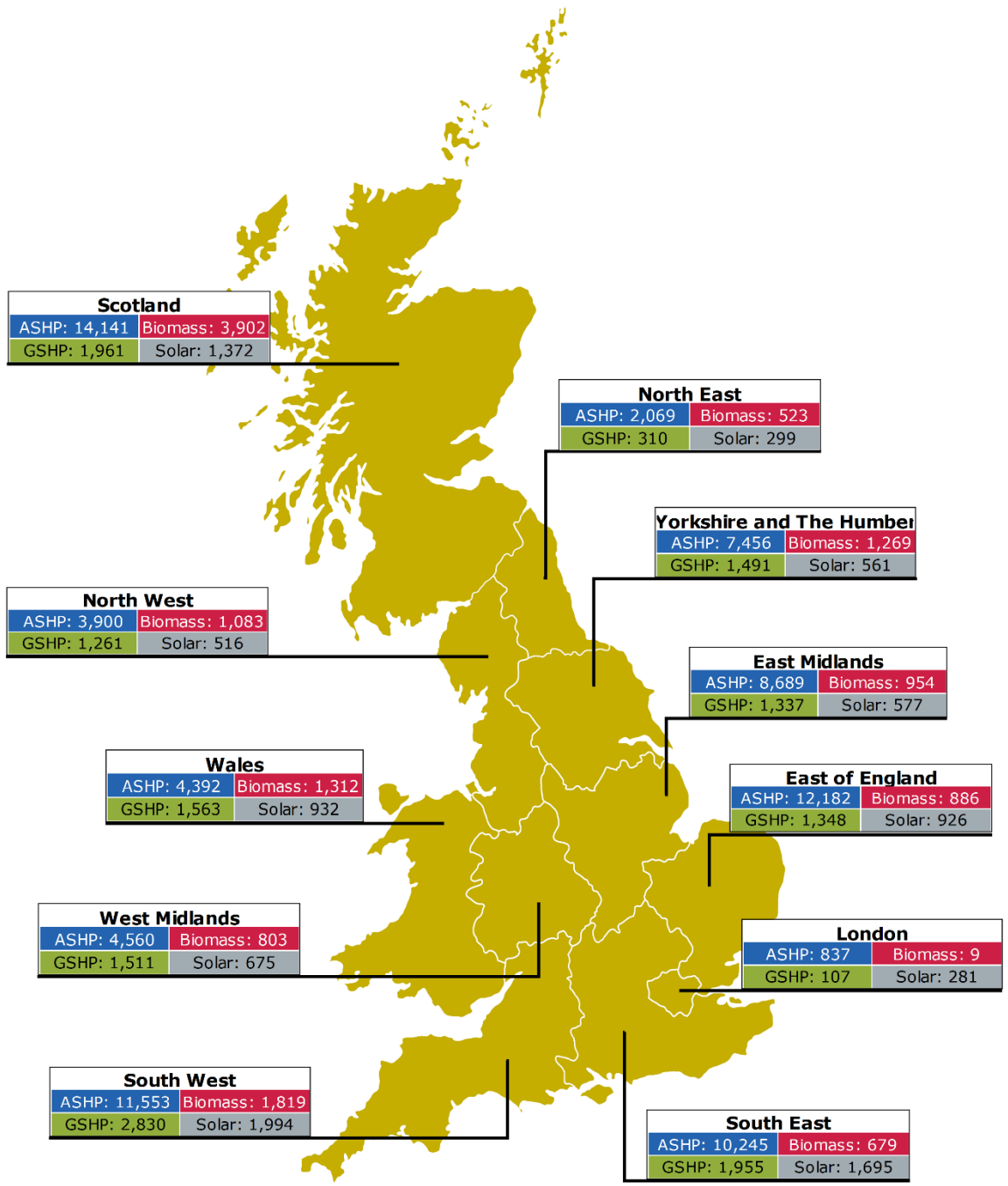
2.9 When looking at increased accreditations in Scheme Year 8 across all technology types it should be noted that the proportions of applications processed in Scheme Year 9 are not reflective of those received prior to scheme closure. Due to longer application processing times for some GSHP installations and the significant fall in the number of applications being processed following scheme closure, the proportion of GSHP accreditations subsequently increased relative to other technology types.

Geographical Distribution

2.10 **Figure 2.5** shows the geographical distribution of accreditations by technology type since scheme launch. 75.1% of installations are in England, 18.0% are in Scotland and 6.9% are in Wales. However, when looking at the proportion of households in each country benefiting from the scheme, it is highest in Scotland with 0.8% of households. In Wales it is 0.6% and in England 0.4%.[32]

[32] Household data for 2023 taken from the Office for National Statistics: Households by household size, regions of England and Great Britain constituent countries - Office for National Statistics <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/datasets/householdsbyhouseholdsizeregionsofenglandandgbconstituentcountries>

Figure 2.5: Geographic distribution of accreditations since scheme launch



Map[33] of Great Britain showing the number of accreditations by technology type in each region. The South West has the highest number of accredited installations totalling 18,196. In contrast, London has the lowest number of accredited installations at 1,234.

2.11 **Figure 2.6** shows the breakdown of accredited installations by region and technology type since scheme launch, with Scotland divided into regions.

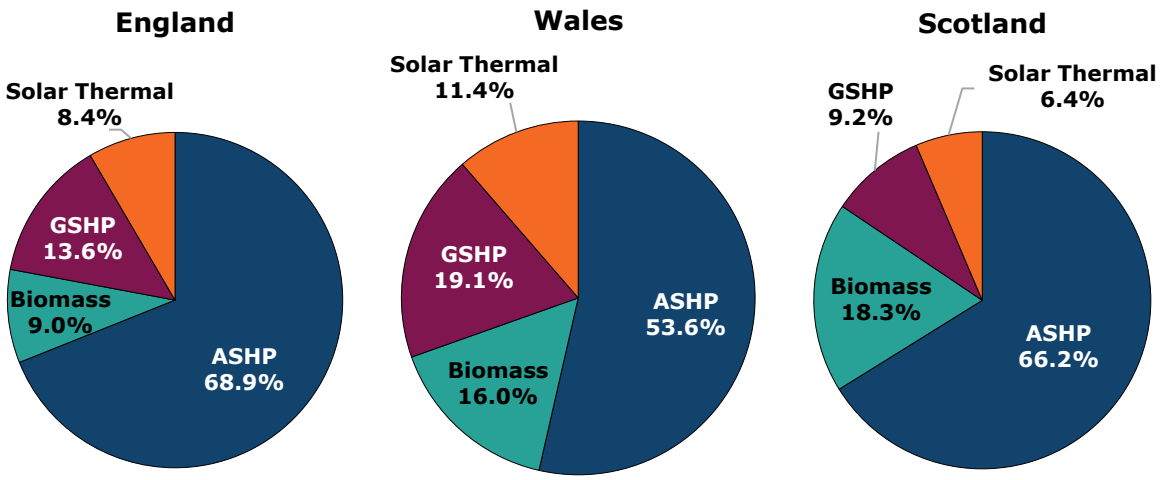
Figure 2.6: Total accreditations by region and technology type

Location	ASHP	Biomass	GSHP	Solar Thermal	Grand Total
South West England	11,553	1,819	2,830	1,994	18,196
East England	12,182	886	1,348	926	15,342
South East England	10,245	679	1,955	1,695	14,574
East Midlands	8,689	954	1,337	577	11,557
Yorkshire and The Humber	7,456	1,269	1,491	561	10,777
Highlands & Islands	5,992	1,382	585	574	8,533
Wales	4,392	1,312	1,563	932	8,199
West Midlands	4,560	803	1,511	675	7,549
North West England	3,900	1,083	1,261	516	6,760
Southern Scotland	4,475	1,103	410	177	6,165
East Scotland	2,171	921	580	406	4,078
North East England	2,069	523	310	299	3,201
North East Scotland	899	350	313	181	1,743
London	837	9	107	281	1,234
West Central Scotland	604	146	73	34	857
Grand Total	**80,024**	**13,239**	**15,674**	**9,828**	**118,765**

[33] We have combined the Scottish regions on this map to create consistency with the way we report regional information across the schemes we administer. A breakdown of regional information for Scotland is still provided in Figure 2.6.

2.12 **Figure 2.7** shows the national differences in accreditations by technology type since scheme launch. This highlights some marked regional differences. In particular, the lower proportion of ASHPs but higher levels of GSHPs and solar thermal deployed in Wales, as well as the higher proportion of biomass but lower levels of GSHPs and solar thermal deployed in Scotland.

Figure 2.7: Accreditations by country and technology type since scheme launch



Pie charts showing the percentage of technology types by country for England, Scotland and Wales. ASHPs make up over 50% of installations in all regions. England has the highest proportion of ASHPs (68.9%), Wales has the highest proportion of GSHPs (19.1%) and Solar Thermal (11.4%), and Scotland has the highest proportion of biomass (18.3%).

Applications reaching end of support

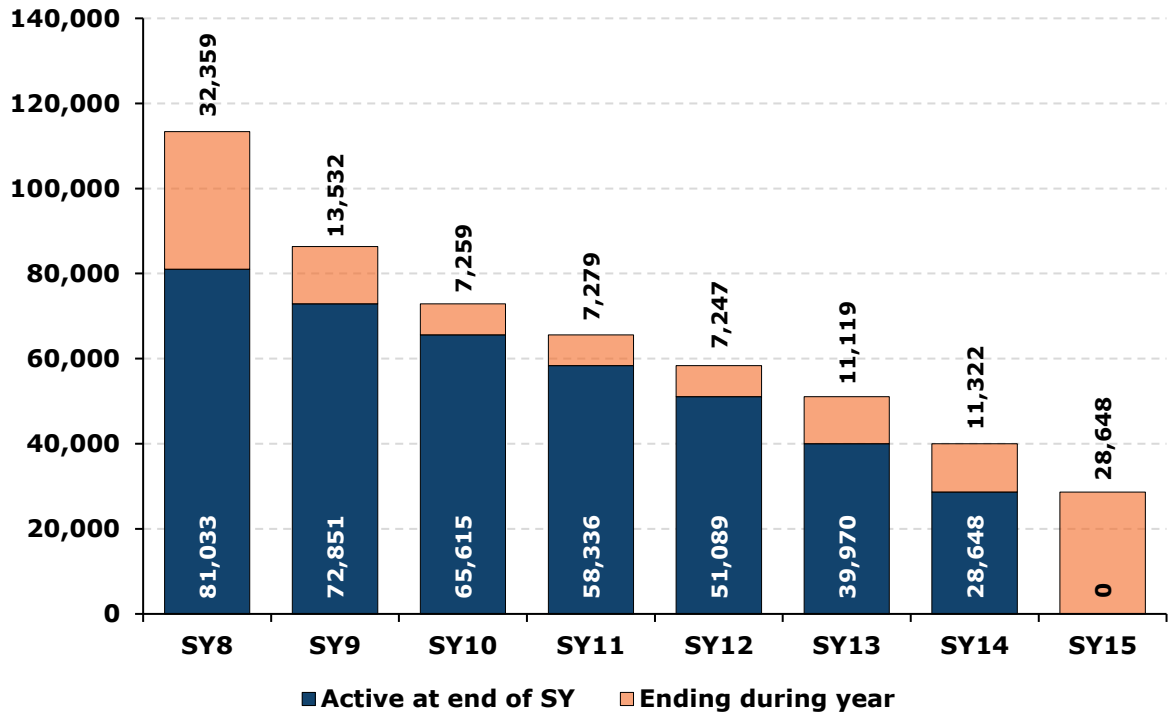
2.13 As of 31 March 2024, applications that received accreditation during the first three years of the scheme have reached the end of their seven-year support period. This means that around 53,000 applications exited the scheme and stopped receiving DRHI support payments by the end of Scheme Year 10. This includes all legacy applicants.

2.14 As the scheme is closed to new applicants the number of installations receiving payments and the total sum of payments made will continue to fall until all installations have reached the end of their seven-year support period.

2.15 It should be noted that in some cases (for example where ownership of an application has been transferred) payments may be paused until the changes to the application have been approved. As such, the number of applications actually reaching the end of their support period in Scheme Year 10 may vary from the number originally accredited during the third year of the scheme.

2.16 A projection of accreditations reaching the end of support following the DRHI's closure to new applications in Scheme Year 8 is shown in **Figure 2.8**.

Figure 2.8: Projected accreditations reaching the end of support from SY8*



Column graph showing a projection of accreditations reaching the end of support from SY8 onwards. By the end of SY11, the majority of accreditations granted over the lifetime of the DRHI scheme will have reached the end of support. The number of active installations on the scheme will continue to decrease until SY15, during which all remaining accreditations are projected to reach the end of their support period.

**SY = Scheme Year*

Replaced Technology

2.17 As one of the scheme's primary aims is to replace domestic heating systems with lower carbon alternatives, when applicants apply for the DRHI they are required to provide details of the heating system being replaced. **Figure 2.9** shows that boilers account for just over half of total accreditations at 62,561 or 52.7% of the total. 'First heating system' indicates accreditations for eligible new-builds[34] for which there was no heating technology being replaced.

Figure 2.9: Heating technology replaced since scheme launch

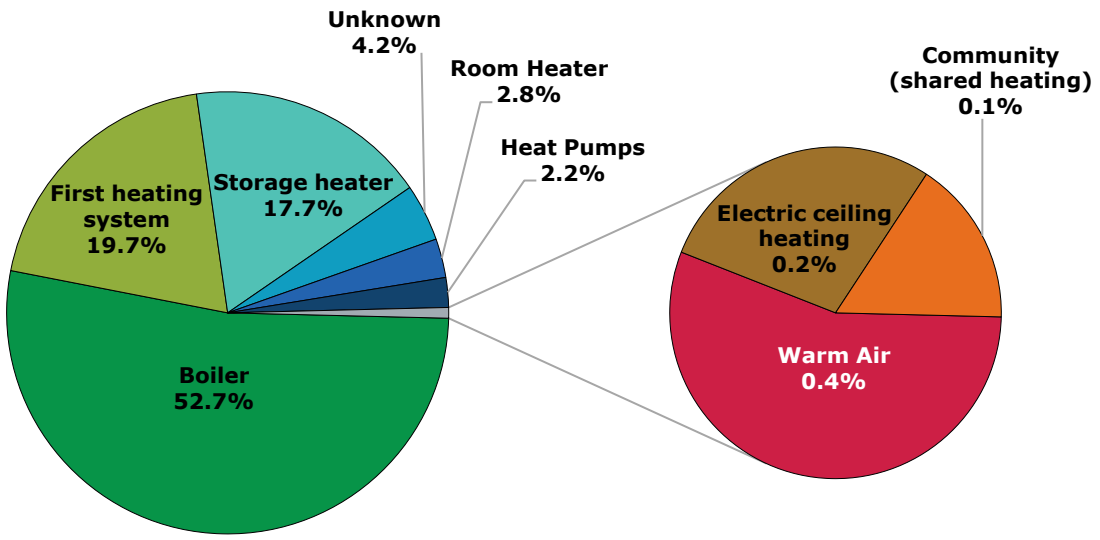
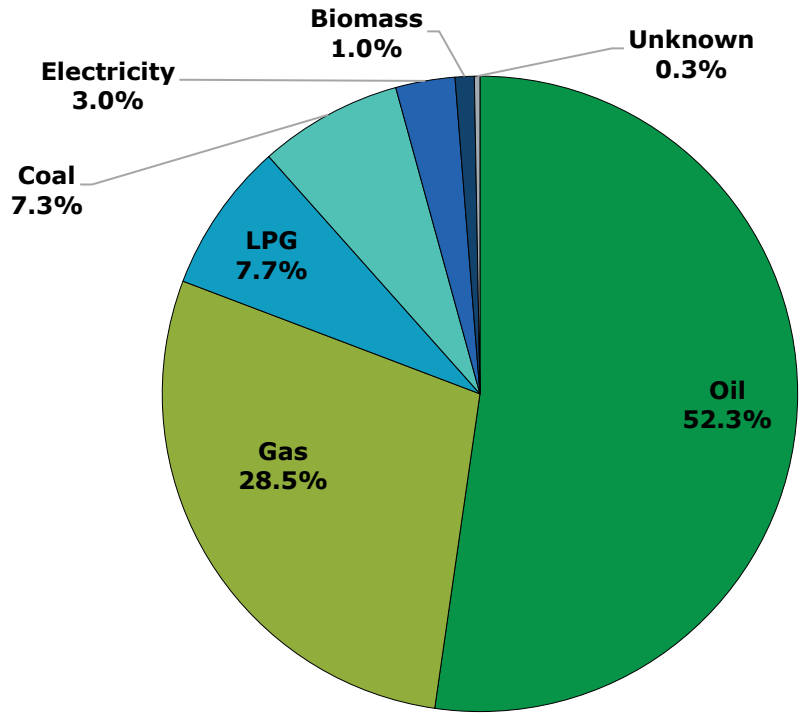


Chart showing a breakdown of heating technologies replaced under the scheme. The most common technologies replaced were boilers (52.7%) and storage heaters (17.7%), followed by smaller proportions for room heaters (2.8%), heat pumps (2.2%), warm air (0.4%), electric ceiling heating (0.2%), and community (shared heating) (0.1%). The remainder consists of first heating systems (19.7%), where no heating technology was being replaced, and installations where the replaced technology was unknown (4.2%).

[34] Eligible new-builds' are explained in the Key Terms on our website: <https://www.ofgem.gov.uk/environmental-and-social-schemes/domestic-renewable-heat-incentive-domestic-rhi/contacts-guidance-and-resources/key-terms-explained-domestic-renewable-heat-incentive>

2.18 Information on the fuels being used in the replaced boilers (62,561) can be found in **Figure 2.10**. 95.7% (59,889) of these boilers used fossil fuels such as oil, gas, coal and liquified petroleum gas (LPG).

Figure 2.10: Replaced boiler fuel types



Pie chart showing the boiler fuel types replaced under the scheme. Fossil fuels including oil (52.3%), gas (28.5%), LPG (7.7%) and coal (7.3%) constitute the clear majority of replaced boiler fuel types. The remainder consists of electricity (3.0%), biomass (1.0%), and boilers for which the previous fuel type was unknown (0.3%).

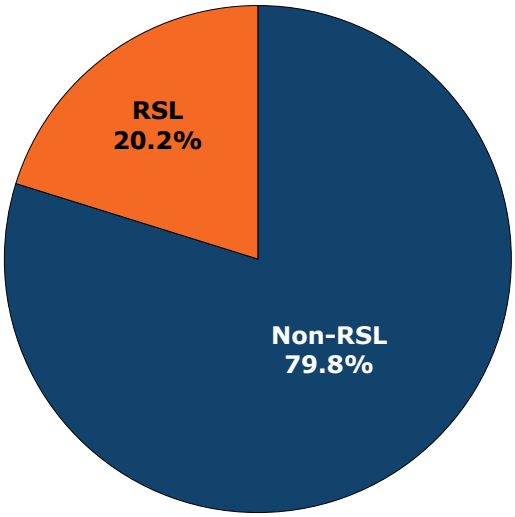
Registered Social Landlords (RSLs)

2.19 With a large number of properties under their management and the potential for tenants to save on their energy bills (particularly those off gas-grid), Registered Social Landlords (RSLs) were one of the groups eligible to apply for the DRHI. In total, they account for 20.2% of all scheme accreditations.

2.20 Since scheme launch 23,975 RSL accreditations have been granted. All RSL applications have now been processed.

2.21 **Figure 2.11** shows the total number of accreditations since scheme launch, split into those from RSLs and other applicant types.

Figure 2.11: RSL and non-RSL accreditations since scheme launch



Pie chart showing RSL and non-RSL accreditations since scheme launch. Overall, RSL accreditations make up 20.2% (23,795) of scheme accreditations, while non-RSL accreditations account for 79.8% (94,790) of total accreditations.

2.22 **Figure 2.12** shows the proportions of different technology types installed into RSL properties.

Figure 2.12: RSL accreditations by technology type since scheme launch

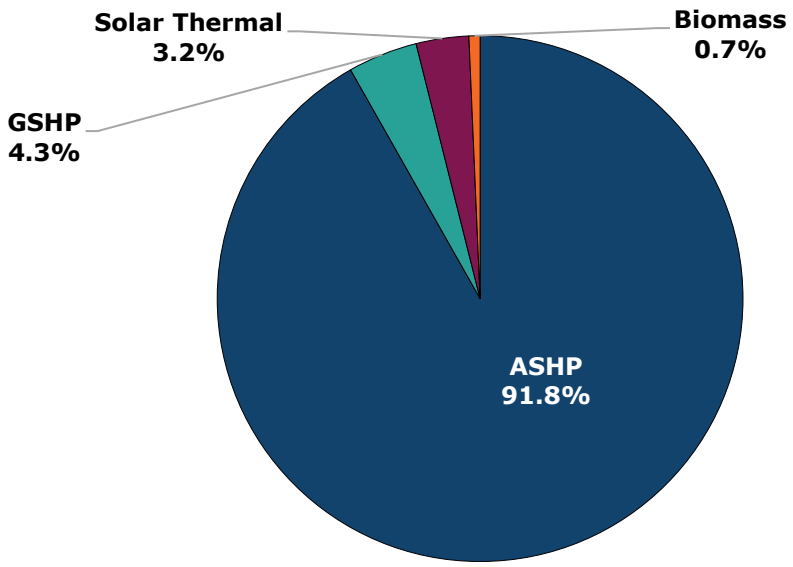


Chart showing RSL accreditations by technology type. ASHPs comfortably account for the majority of RSL accreditations at 91.8% followed by GSHPs (4.3%), Solar Thermal (3.2%), and Biomass (0.7%).

Metering and Monitoring Service Package (MMSP)

2.23 A Metering and Monitoring Service Package (MMSP) allows participants to check how their heating systems are performing, and the data collected may be used by DESNZ to inform future research and policy development. Participants who successfully register an MMSP receive quarterly MMSP support payments for its installation.

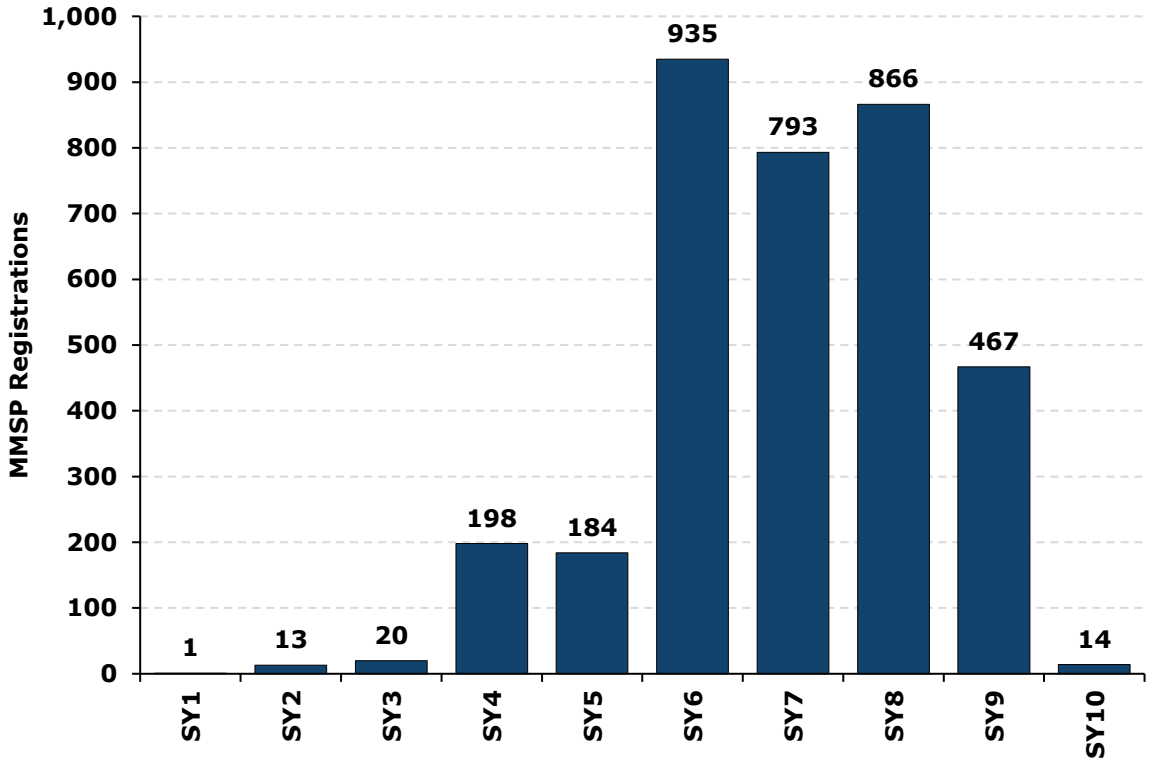
2.24 11,255 MMSP packages were available during the lifetime of the scheme on a first-come, first-served basis.

2.25 **Figure 2.13** shows 3,491[35] MMSP packages (31.0%) have been allocated as of March 2024. From 22 May 2018, a lump sum payment for heat pump and biomass installations was introduced for successful MMSP installations, in addition to the quarterly MMSP support payments. This resulted in a higher number of MMSP registrations between Scheme Year 6 and Scheme Year 8.

2.26 Since scheme closure on 31 March 2022, no new applications for MMSPs can be made. However, in Scheme Year 9 and Scheme Year 10 we approved 467 and 14 MMSP applications respectively, which were submitted on or before 31 March 2022. MMSP accreditations can also be granted following scheme closure in cases of Transfer of Ownership (ToO), in which case the previous MMSP accreditation is cancelled and the new owner of the installation must reapply for an MMSP.

[35] The annual figure reported for MMSP packages may be lower than previous years due to cancelled accreditations in cases where the participant has sold their property.

Figure 2.13: Annual MMSP registrations from SY1 to SY10*



Column graph showing the number of MMSP registrations from SY1 to SY10. Average registration numbers were low at 11 per year from SY1 to SY3. Registration numbers from SY4 to SY5 then rose averaging 191, whilst numbers between SY6 and SY8 saw a dramatic increase averaging 865. Registration numbers in SY9 decreased to 467 following scheme closure. In SY10, there were just 14 MMSP registrations.

**SY = Scheme Year*

Assignment of Rights (AoR)

2.27 The Department for Business, Energy & Industrial Strategy (BEIS)[36] introduced the concept of Assignment of Rights (AoR) following amendments to the scheme on 27 June 2018, during Scheme Year 5. This allowed applicants to install low carbon heating with financial support from a nominated investor. Subsequent DRHI payments are redirected to the investor as a form of repayment whilst the applicant benefits from the low carbon heating system. Nominated investors can finance the purchase, installation, and maintenance of accredited renewable heating systems for applicants, and in return be assigned DRHI payments.

2.28 To receive funding from investors, applicants to the DRHI scheme must choose to assign their DRHI payments to a nominated registered investor during the application process. As of 31 March 2022, the scheme closed to new applications including AoR. Until 30 June 2028, it is still possible for investors to apply to take over existing AoR contracts with participants where the current investors wish to exit their agreements.

2.29 Investors must register with Ofgem. Before registering, an investor must be a member of the Renewable Energy Consumer Code (RECC)[37] or the Home Insulation and Energy Systems Quality Assured Contractors Scheme (HIES)[38]. Both are Chartered Trading Standards Institutes (CTSI)[39] approved consumer protection codes for AoR.

2.30 As shown in **Figure 2.14**, there are 1,340 installations accredited under AoR. Please note that in Scheme Year 5, when AoR was introduced, investors were required to apply using a model contract. However, due to delays publishing the contract, no applications could be processed until Scheme Year 6. Therefore, data for Scheme Year 5 is not shown.

2.31 As of 31 March 2024, there were 25 active investors. Ofgem has made a total of £4,487,661.72 in financial support payments to active AoR investors on the DRHI scheme between 27 June 2018, when AoR came into effect, and 31 March 2024.

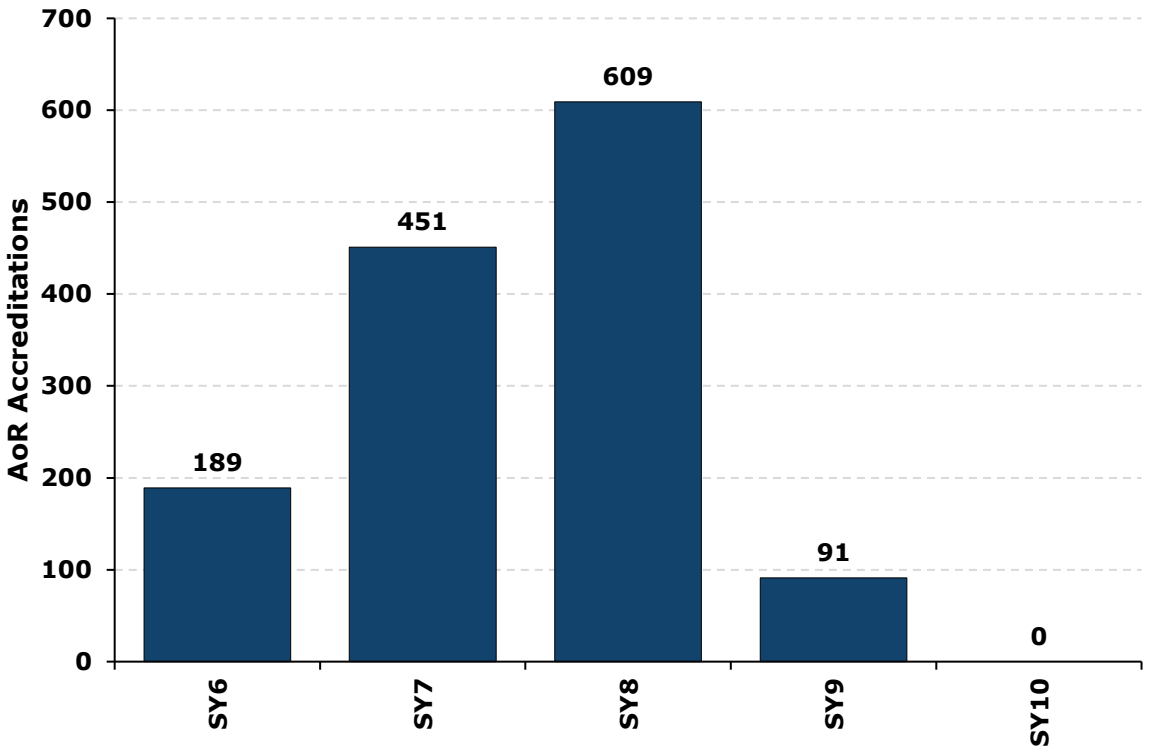
[36] From February 2023 the new Department for Energy Security and Net-Zero (DESNZ) are responsible for RHI policy in GB. This responsibility was previously held by BEIS (Department for Business, Energy & Industrial Strategy) until 2023 and DECC (Department of Energy & Climate Change) until 2016.

[37] The Renewable Energy Consumer Code (RECC) <https://www.recc.org.uk/>

[38] The Home Insulation and Energy Systems Quality Assured Contractors Scheme (HIES) <https://www.hiesscheme.org.uk/>

[39] Chartered Trading Standards Institute <https://www.tradingstandards.uk/>

Figure 2.14: Assignment of Rights (AoR) accredited installations



A column chart showing the number of AoR installations accredited annually from SY6 to SY10. In SY6, the first year AoR applications were processed, we accredited 189 AoR installations. Registration numbers rose significantly in SY7 and SY8 with 451 and 609 accreditations respectively. Following scheme closure, there was a significant fall in AoR accreditations to 91 in SY9 and no AoR accreditations were granted in SY10.*

**SY = Scheme Year*

Transfer of Ownership (ToO)

2.32 As outlined in the scheme regulations, DRHI participants can apply for a Transfer of Ownership (ToO)[40] if they are transferring ownership of all or part of an accredited domestic installation to another person. If participants intend to sell their property and the accredited heating system will be included in the sale, it is the participant's responsibility to inform Ofgem that they will no longer be the owner of the installation.

2.33 Any remaining DRHI payments will be paid to those who apply for a ToO up to the day before the legal transfer of the property is complete.

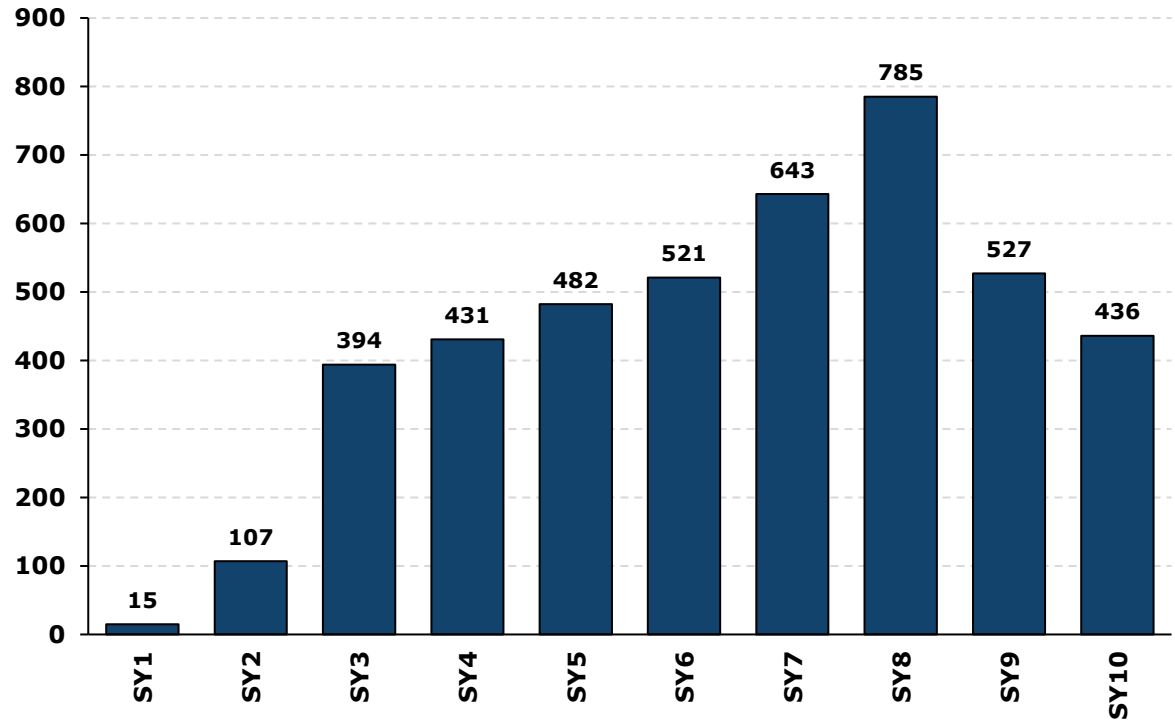
2.34 Incoming owners of the property who want to take over the payments from the DRHI scheme are given 12 months from the date of the sale of the property and accredited renewable heating system to notify us of their intention. In this case, payments will not accrue until all eligibility criteria have been satisfied and we have provided a statement of eligibility.

2.35 If there are multiple owners, you must have permission from the other owners that you will be the participant on the scheme.

2.36 An annual breakdown of ToO applications is shown in **Figure 2.15** below.

[40] For more information on Transfer of Ownership applications and how you can apply, visit our website: Change of ownership | Ofgem <https://www.ofgem.gov.uk/change-ownership>

Figure 2.15: Annual Transfer of Ownership (ToO) applications since scheme launch



A column chart showing the number of ToO applications annually since scheme launch. ToO applications jumped significantly from SY2 to SY3 and continued to rise year on year until SY8. In line with the falling number of scheme participants eligible for payments, SY9 saw a decrease in the number of ToO applications, before another decrease in SY10.*

**SY = Scheme Year*

3. Payments & Heat Generation

This chapter gives an update on the heat generation and payments made under the Domestic Renewable Heat Incentive (DRHI) scheme in Scheme Year 10. It also shows the historical trends in heat generation by technology type and associated payments.

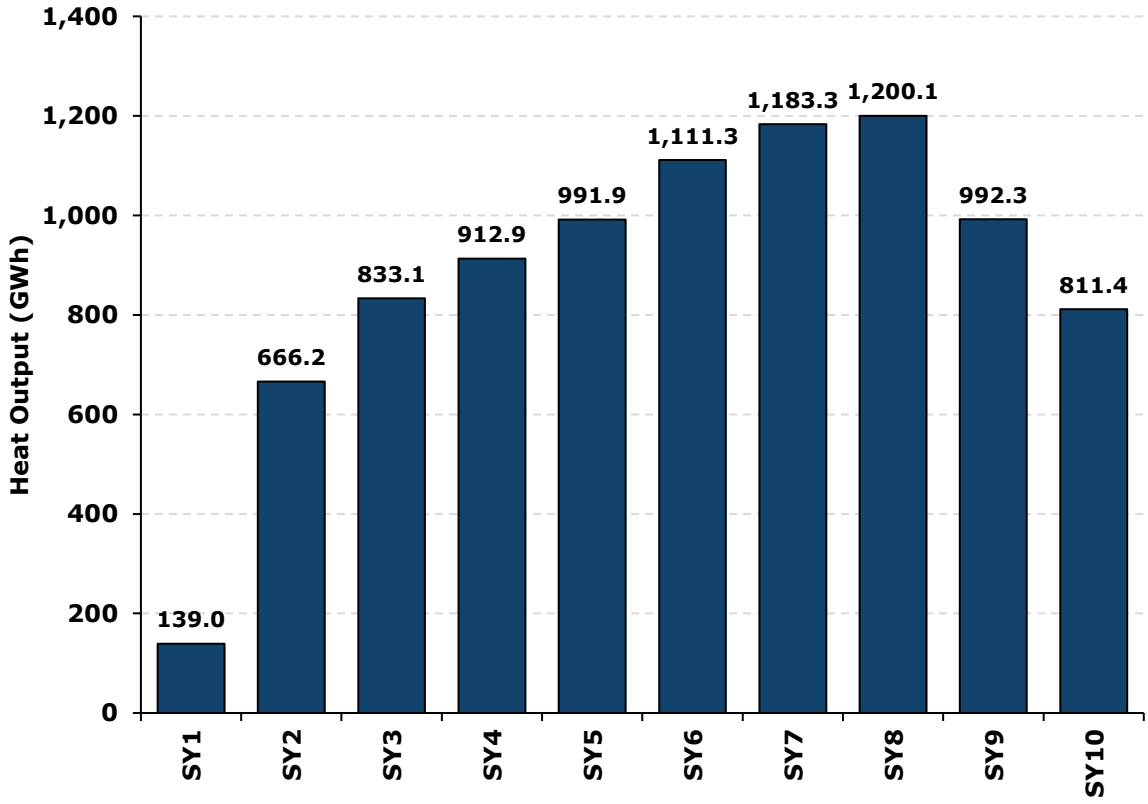
3.1 DRHI payments are made quarterly for seven years. Payments for most installations are based on the annual heat demand of the property, which is taken from a property's Energy Performance Certificate (EPC). The only exceptions to this are for solar thermal, where payments are based on the estimated annual heat generation taken from the Microgeneration Certification Scheme (MCS) certificate, and for those installations required to be metered for payment. Payments are only made to accredited installations that continue to meet scheme rules.[41]

3.2 Tariff rates vary depending on technology type and when an application was received. Once an accreditation has been granted the tariff rate is secured and will change each year in line with inflation[42] but will never decrease.

3.3 Since scheme launch installations accredited on the DRHI scheme have generated over 8,841.4 GWh of low carbon heat. An annual breakdown of heat output over the lifetime of the scheme is shown in **Figure 3.1** below.

[41] Information on DRHI payments and tariffs: <https://www.ofgem.gov.uk/environmental-programmes/domestic-rhi/contacts-guidance-and-resources/tariffs-and-payments-domestic-rhi>
[42] Applications accredited up to 31 March 2016 are adjusted annually by the Retail Prices Index (RPI). Applications accredited after this date are adjusted by the Consumer Prices Index (CPI).

Figure 3.1: Annual heat output (GWh) over scheme lifetime



Column chart showing annual DRHI heat output in GWh over the lifetime of the scheme. Heat output jumped considerably from 139.0 GWh in SY1 to 666.2 GWh in SY2 and rose steadily every year before reaching a peak of 1,200.1 GWh in SY8. Annual heat output then declined to 992.3 GWh and 811.4 GWh in SY9 and SY10 respectively. The fall in heat output after SY8 is expected following scheme closure in March 2022 and will continue to fall annually as a growing number of installations reach the end of their seven-year support period on the scheme.*

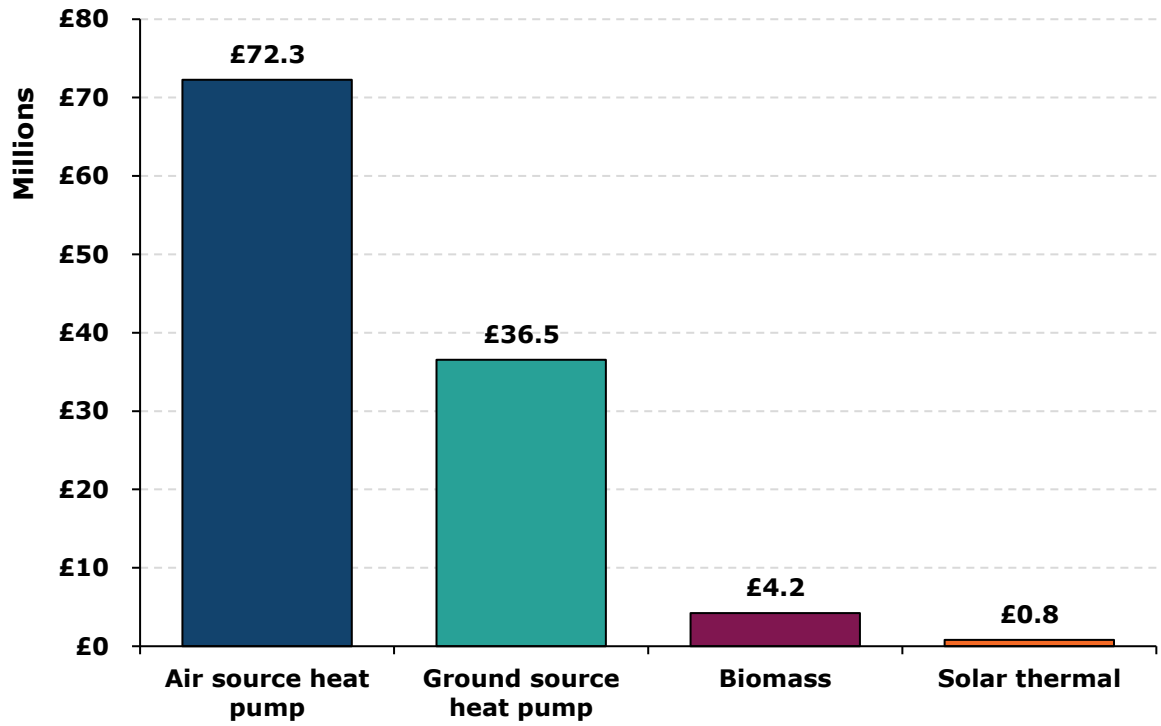
**SY = Scheme Year*

3.4 In Scheme Year 10 we made payments of almost £113.9 million[43] to eligible participants. This marks a decrease from the £124.2 million in payments we made in Scheme Year 9. However, this is to be expected as the number of participants accredited on the scheme declines following scheme closure.

[43] Figures are based on the total amount paid out to accredited installations based on their estimated heat generation, except in cases where an MMSP has been installed. Payments can be delayed in some circumstances such as a being under audit, and thus may not be included in the overall figure until this has been resolved.

3.5 Overall, this brings the total paid over the scheme's lifetime above one billion for the first time, with payments totalling £1.06 billion. **Figure 3.2** shows that air source heat pumps (ASHP) account for the largest proportion of payments in Scheme Year 10, followed by ground source heat pumps (GSHP) and biomass.

Figure 3.2: DRHI payments made in SY10*



Column chart showing payments made by technology type in Scheme Year 10. ASHPs received the highest proportion (£72,275,591) followed by GSHPs (£36,548,108) and biomass (£4,229,918). Solar thermal was responsible for the lowest proportion of payments made (£810,592).

**SY = Scheme Year*

3.6 **Figure 3.3** shows that biomass installations accounted for 33.7% of payments made and 37.2% of estimated heat output[44] from scheme launch to 31 March 2024. This is despite accounting for only 11.1% of accreditations. By contrast, ASHPs account for 35.1% of payments made and 44.5% of estimated heat output, whilst forming 67.4% of all accreditations.

[44] Estimated heat output is equivalent to the heat demand used to calculate payments. For most installations this is the heat demand taken from the EPC certificate. In the case of solar thermal, it is taken from the MCS certificate or for those installations metered for payment, from the meter readings provided to us.

Figure 3.3: Lifetime DRHI payments made and heat output

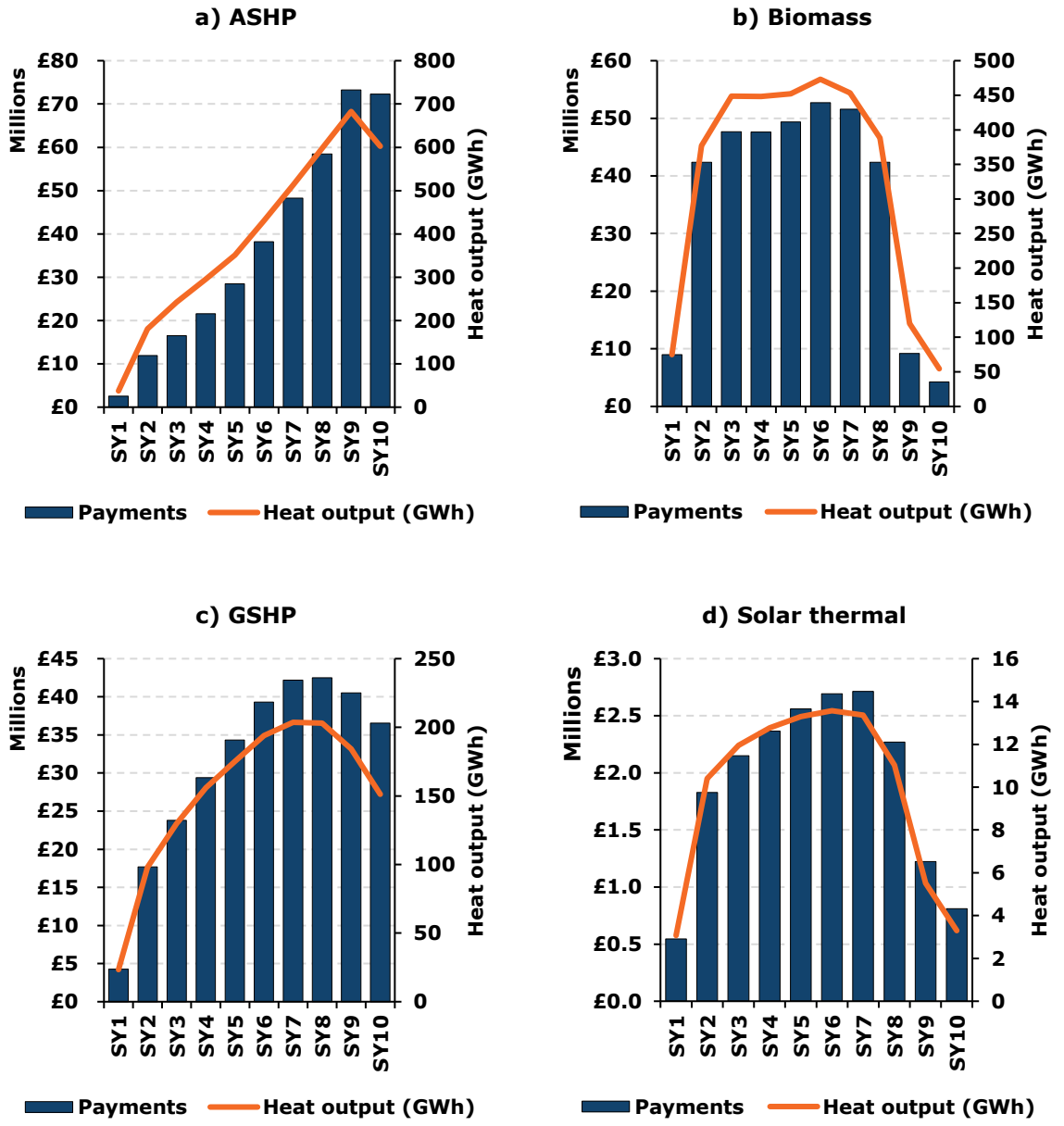
Technology Type	Total Payments to Date (£)	Payments Percentage (%)	Estimated Heat Output (GWh)	Estimated Heat Output Percentage (%)
ASHP	£371,534,891	35.1%	3,934.3	44.5%
Biomass	£356,110,184	33.7%	3,290.6	37.2%
GSHP	£310,529,791	29.4%	1,518.3	17.2%
Solar Thermal	£19,156,389	1.8%	98.3	1.1%
Total	**£1,057,331,255**	**100%**	**8,841.4**	**100%**

3.7 The high proportion of biomass payments and heat demand despite lower accreditation numbers is likely due to biomass installations tending to heat larger properties with higher heat demands. This was particularly true in the early years of the scheme before heat demand limits were introduced.

3.8 Also shown in **Figure 3.3**, the estimated amount of heat on which the £1.06 billion in payments have been made stands at approximately 8,841.4 GWh.

3.9 An annual breakdown of payments and estimated heat output by technology type can be seen in **Figure 3.4** below.

Figure 3.4 (a-d): Annual payments and heat output (GWh) by technology type



Combined line and bar graphs showing payments and estimated heat output by technology type per year. ASHP payments and estimated heat output continually rose from SY1 to SY9. GSHP peaked in SY8 before marginally declining in SY9 and again in SY10. Biomass and solar thermal rose significantly from SY1 to SY2 but saw smaller rises from SY3 onwards, before starting to fall from SY8 onwards.*

**SY = Scheme Year*

3.10 Compared to Scheme Year 9, ASHP payments saw a 1.3% (£963,917) decrease during Scheme Year 10. In comparison, GSHP payments fell by 9.8% (£3,972,057). There were particularly significant decreases for biomass at 53.9% (£4,942,751) and solar thermal at 33.8% (£413,261). The significant fall in biomass and solar thermal payments is due to the large number of installations of these types that joined the scheme in the first two years and have now exited. Large numbers of ASHP and GSHP installations have also now exited the scheme, but these have been offset by those being newly accredited.

3.11 The next seven years will see a gradual decline in payments being made, as new applications are no longer accepted and current accreditations gradually come to the end of their support period under the scheme.

4. Monitoring Compliance

This chapter covers our activity to monitor compliance on the Domestic Renewable Heat Incentive (DRHI) scheme during Scheme Year 10. It provides a summary of the aims and objectives of our audit programme, as well as an overview of the results of targeted and statistical audits, compliance investigations, and the public funds protected.

Aims & Objectives

4.1 In order to protect the public purse and ensure we are meeting requirements to only pay subsidies for eligible heat generation, our audit programme is designed to check compliance with scheme regulations and identify non-compliances. Our audit strategy has been developed in line with best practice from the National Audit Office (NAO). The strategy is reviewed annually and updated to account for emerging risks, changes to the scheme and new trends in non-compliance. Following each audit year, we conduct Root Cause Analysis on the top non-compliances identified and implement changes to drive down the chance of those non-compliances happening in the future.

4.2 We undertake both statistical and targeted audits. Statistical audits are randomly selected to provide a representative view of the scheme population at a 90% confidence level. This provides us with assurance that the results of audits will reflect the level and types of non-compliance within the population. Targeted audits are identified via internal and external referrals, and data analytics, which we use to identify applications that have an increased risk of non-compliance.

4.3 Statistical audits comprise of both an initial desk audit and a site audit. However, in some cases the site audit is not required if we identify eligibility issues during the desk audit that result in revocation of an accreditation. Targeted audits comprise of a desk audit or a site audit and take place as part of the DRHI participant's ongoing obligations to ensure that they comply with the scheme rules.

4.4 Accredited installations may be selected for desk audits at any time. As part of this process, participants are notified of the desk audit and are asked to complete a checklist consisting of questions relating to their DRHI installation along with a list of documentation which is required to complete the desk audit.

4.5 DRHI participants who are subject to a site audit are usually contacted in advance to help the participant prepare paperwork, access meters or other aspects of the installation, and allow the scheme participant to be present and have time to engage with the auditor. In some cases, DRHI participants can be subject to an audit at short notice. While this is not the normal process, this allows Ofgem to act quickly if any concerns are identified or to monitor non-compliance rates between those contacted in advance and those given shorter prior notice.

4.6 The DRHI scheme, as well as our audit and compliance programme, is funded by general taxation. It is therefore crucial that we maintain effective delivery of the scheme and ensure that public money is being used correctly. Accordingly, we emphasise that due diligence is the sole responsibility of participants on the scheme. Ofgem expects participants to provide paperwork regarding fuel, ownership, and other criteria for accreditation upon request so that we can monitor and ensure that participants are fulfilling their obligations.

Audit & Compliance Activity

4.7 **Figure 4.1** below gives an overview of the Scheme Year 10 audit programme and shows the overall participant compliance rate for those audited.

Figure 4.1: DRHI audit results SY10*

Audit Type	Closed Audits	Open Audits	Compliant Audits	Non-Compliant Audits	Compliance Rate (%)
Statistical (desk)	418	0	366	52	**87.56**
Statistical (site)	393	0	337	56	**85.75**
Targeted (desk)	200	0	85	115	**42.50**
Targeted (site)	200	0	124	76	**62.00**

**SY = Scheme Year*

4.8 A total of 618 desk audits and 593 site audits were conducted during Scheme Year 10. This is a decrease from the 689 desk audits and 637 site audits conducted in Scheme Year 9.

4.9 The level of non-compliance identified in the DRHI population (the error rate as determined by the annual statistical audit programme) in the previous year is

used to determine the statistical audit sample size. The sample selection methodology was largely driven by the objectives and expected outcomes of our Audit Plan and the characteristics of the population to be sampled.

4.10 All statistical audits go through a desk phase before being passed to the audit contractor for a site visit. This year, we sought to streamline processes through a survey of participants who completed their Scheme Year 9 submissions using our online desk audit service. As a result, we identified and implemented a number of incremental improvements to improve levels of engagement and the participant experience this year.

4.11 In Scheme Year 9 we found that installations included in our statistical programme reaching the end of their eligibility that year were more likely to fail to engage with the process. Also, in some cases, installations reached the end of their support period before a site visit could be carried out. In Scheme Year 10 we thus adjusted the way we select sites for our statistical programme to exclude those due to exit the scheme during the year. However, such cases could still be subject to a targeted audit if there was a compliance concern.

4.12 Some non-compliance cases will be resolved by participants providing relevant information after an audit. Others will result in recovery of overpayments or, in some cases, revocation of accreditation. We have revoked or will revoke 69 accreditations from the Scheme Year 10 programme. Of these, 50 cases were identified through desk audits, while 19 were identified through site audits. 38 of these 69 cases were related to targeted audits, while the remaining 31 were from the statistical programme.

4.13 **Figure 4.2** shows the five most common reasons for non-compliance by instance and the cumulative percentage of all non-compliance in Scheme Year 10. Instances of non-compliance are categorised as either material or non-material non-compliance. A material non-compliance is one that could have a financial impact and lead to an error in payments or result in DRHI payments being recouped by Ofgem. A non-material non-compliance is when there has been a contravention of scheme rules that does not have a financial impact.

Figure 4.2: Top five non-compliance reasons from statistical audits in SY10*

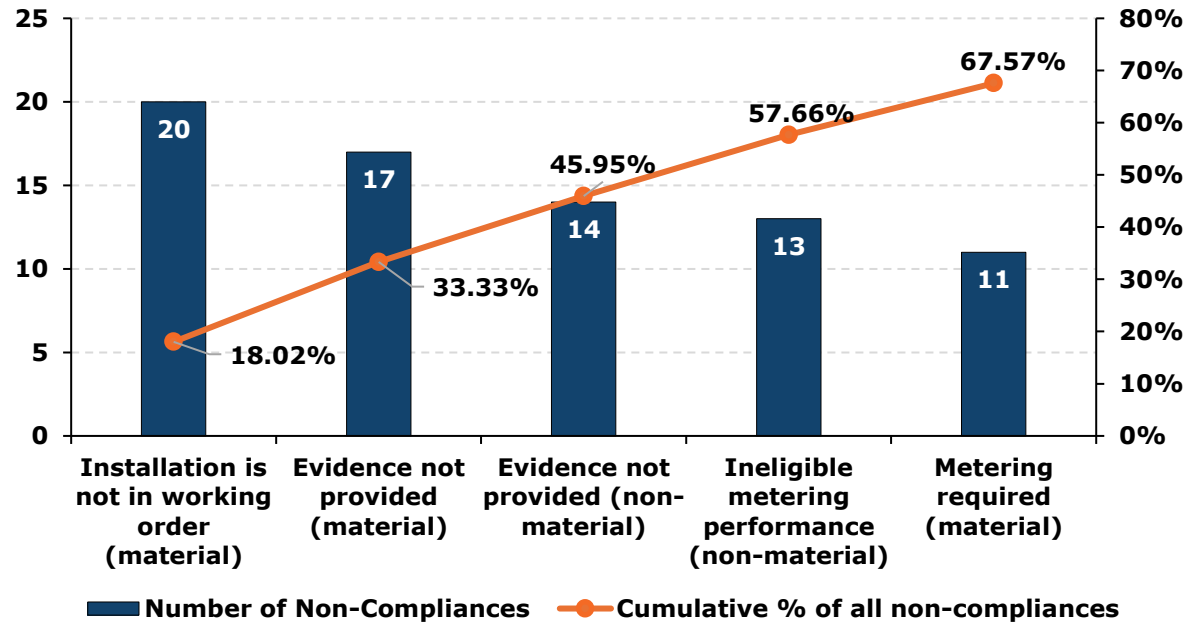


Chart showing the top five reasons for non-compliance and their cumulative contribution to non-compliance on the scheme. "Installation is not in working order" (material) was the most frequent cause of non-compliance with 20 instances (18.02%). The remaining most common non-compliances were "evidence not provided" (material) with 17 instances (15.31%), "evidence not provided" (non-material) with 14 instances (12.62%), "ineligible metering performance" (non-material) with 13 instances (11.71%), and "metering required" (material) with 11 instances (9.91%).

**SY = Scheme Year*

4.14 For further information on how we deal with non-compliance please refer to the essential scheme guide.[45]

4.15 We track instances where non-compliance affects payments that installations are eligible to receive. These instances are defined as either a prevented or detected error. A prevented error refers to any payment which we have prevented from being paid out because of our work. A detected error is any payment which has been paid out to a participant for which they were not eligible.

4.16 **Figure 4.3** shows the money we have protected (prevented and detected error) based on the audits carried out from Scheme Year 5 to Scheme Year 10.

[45] Domestic RHI: Essential Scheme Guide <https://www.ofgem.gov.uk/publications/domestic-rhi-essential-guide>

Figure 4.3: Money protected through DRHI audits from SY5 to SY10*

Scheme Year	Prevented Error	Detected Error	Total Error	Detected Error (Recovered %)
SY5	£959,668	£673,654	**£1,633,323**	43.5%
SY6	£935,147	£877,844	**£1,812,991**	59.5%
SY7	£562,579	£634,035	**£1,196,615**	62.3%
SY8	£531,760	£530,749	**£1,062,509**	56.5%
SY9	£687,195	£97,478	**£784,673**	82.7%
SY10	£422,999	£280,231	**£703,229**	85.3%

**SY = Scheme Year*

4.17 In Scheme Year 9 we observed a significant improvement in our recovery rates compared to previous years, and this improved further in Scheme Year 10. This can be attributed to two key factors. First, we have significantly enhanced repayment processes to ensure a more seamless and efficient experience, and second, we have established a streamlined debt process to enable more effective management of debt cases.

4.18 In total this year's audit programme has resulted in the identification of £703,229 in prevented and detected error. This is in addition to the protection of public funds provided through our other control measures, such as robust eligibility assessments prior to accreditation and annual participant declarations.

4.19 In Scheme Year 9 we listened and responded to challenges faced by customers throughout the cost-of-living crisis by adopting a customer-focused approach to debt management. We can offer assistance and flexibility in handling debt, such as setting up a repayment plan. We have retained and continued implementing these measures throughout Scheme Year 10.

4.20 Based on the findings of the Scheme Year 10 statistical audit programme, at the time of writing the value of payments made in error during 2023-24 under the DRHI is estimated at £1.07 million (0.95% of total payments) within a 90% confidence interval of £569,000 to £1.57 million. A 90% confidence interval means that we are 90% confident that the actual value of payments made in error will fall between the upper and lower values of £569,000 to £1.57 million. Please note the error rate includes a forecast of expected outcomes for the remaining open audits and compliance investigations.

5. Our Administration

This chapter provides detail on our administration activity during Scheme Year 10 not already detailed elsewhere in the report.

5.1 Ofgem performs several functions as administrator of the scheme, including review of applications and amendments, calculating and making payments, responding to enquiries and ensuring ongoing participant compliance with scheme rules.

5.2 To ensure that we are providing a good service, we track our performance each month and publish details on the Ofgem website.[46] **Figure 5.1** provides a summary of this year's performance in comparison to last year.

[46] Information on DRHI performance: <https://www.ofgem.gov.uk/environmental-programmes/environmental-programmes-ofgem-s-role-and-delivery-performance>

Figure 5.1: DRHI delivery performance SY9 to SY10*

	SY9	SY10	Change
No. of applications processed[47]	6,936	541	-92.2%
No. of outstanding applications awaiting a decision[48]	15	1	-93.3%
No. of telephone enquiries	15,756	8,714	-44.7%
Abandoned call rate	2.6%	1.4%	-1.2 pp**
No. of email enquiries	4,948	2,857	-42.3%
Emails responded to in 10 WD	99.9%	99.9%	No change
Payments made	317,221	266,629	-15.9%
Payments made within 30 WD	96.5%	98.8%	+2.3 pp
No. of amendments processed	7,606	4,066	-46.5%
Amendments processed within 6 months	92.7%	93.5%	+0.8 pp
No. of physical amendments[49]	N/A	1,322	N/A
No. of non-physical amendments	N/A	968	N/A

**SY = Scheme Year*

***pp = percentage points*

5.3 Following scheme closure on 31 March 2022 there was a significant increase in applications processed and enquiry numbers in Scheme Year 9. As expected, Scheme Year 10 saw a subsequent decrease in volumes.

5.4 In Scheme Year 10, 541 applications were processed. Of the outstanding applications in the queue at scheme closure, 99.9% have now been processed leaving one awaiting decision. The remaining application is a complex case which is taking some time to resolve.

[47] Applications processed includes accredited and rejected accreditations, as well as Transfer of Ownership (ToO) applications.
[48] Please note that in instances where accreditations were cancelled due to a failure to complete annual declarations, applicants can receive reaccreditation if these obligations are fulfilled. Therefore, the number of accreditations in a given scheme year may not be equal to the reported number of applications in the queue in the previous scheme year.
[49] The figures shown are not equal to the figure for total amendments as we started recording physical- and non-physical amendments separately in August 2023. For Scheme Year 9 where figures are unavailable, N/A is shown.

5.5 The number of amendments to applications processed fell from 7,606 in Scheme Year 9 to 4,066 in Scheme Year 10. 93.5% of these were processed within six months marking a slight increase from the 92.7% processed within six months last year.

5.6 Finally, there was a 15.9% decrease in the volume of payments made during Scheme Year 10 as more applications had reached the end of their support period. Delivery performance remained high as 98.8% of payments were made within the target of 30 working days, marking a slight increase from the 96.5% of payments made within this target in Scheme Year 9.

Stakeholder Engagement

5.7 As administrators of the DRHI scheme, engagement with key stakeholders has been critical. Ensuring all scheme participants are aware of key scheme updates such as compliance-related requirements is vital to the effective and robust operation of the DRHI scheme.

5.8 To do this effectively, we carry out a wide range of activities with organisations and individuals representing scheme participants and scheme users. We meet them in a diverse range of settings, from board-level meetings and roundtables to conferences and other events.

5.9 This allows for regular, detailed dialogue to take place between Ofgem and our external stakeholders. It also ensures that we are not taking administrative decisions in isolation, but with expert input from groups with a wide range of perspectives.

5.10 As accredited participants are eligible to receive support for up to seven years on the DRHI scheme, we will continue to engage with and inform participants through our stakeholder engagement activities until all participants have reached the end of their support period in 2029.

6. Looking Forward

This chapter discusses upcoming changes to the scheme and provides a summary of significant changes affecting the future of the scheme introduced by the end of Scheme Year 10.

6.1 The DRHI closed to new applicants and MMSP applications on 31 March 2022. Although closed, a significant amount of work is still required to administer the scheme. The DRHI provides payments over a seven-year period meaning that we will continue to service participants until 2029. Over this period, we will process amendments to accredited installations (such as changes of ownership) and ensure that the processes supporting the scheme remain effective.

6.2 We will continue to actively monitor participant compliance through our extensive audit programmes, as well as internal checks during our work administering the scheme, and requirements for participants to submit declarations. This, alongside the counter fraud measures that we continue to implement, ensures that we only pay subsidies on eligible heat generation, thereby ensuring fair and effective use of public funds. We continue to incorporate insights from our administrative work and compliance activity to proactively look for ways to adapt our procedures and guidance to reduce the likelihood of non-compliances occurring.

6.3 Following on from the closure of the DRHI, the Boiler Upgrade Scheme (BUS)[50] was launched on 23 May 2022. The BUS supports the decarbonisation of heat in buildings, providing upfront capital grants to support the installation of heat pumps and biomass boilers in homes and small non-domestic buildings in England and Wales. Through the BUS scheme, £450 million of grant funding is available over three years from 2022 to 2025. In May 2024, government extended the BUS until April 2028 and committed an additional £1.5 billion in funding for the BUS extension over three years.[51]

[50] Information on the BUS: <https://www.ofgem.gov.uk/environmental-and-social-schemes/boiler-upgrade-scheme-bus>
[51] Powering up Britain: <https://www.gov.uk/government/publications/powering-up-britain>

Appendix 1 – Glossary of Terms

Many of the terms included in this glossary are defined in the Regulations and those definitions should be consulted for their legal meaning for the purposes of the Regulations.

A

Air source heat pump – see Heat pump.

Authority – The Gas and Electricity Markets Authority (GEMA) (the Authority) is the statutory body responsible for administering the DRHI in Great Britain (GB). The Authority's day-to-day functions are performed by Ofgem, the office of the Authority.

B

BEIS – The department for Business, Energy and Industrial Strategy (BEIS). From July 2016 the new Department for Business, Energy and Industrial Strategy (BEIS) assumed the roles and responsibilities of DECC. In 2023, BEIS was replaced by the Department for Energy Security & Net Zero (DESNZ).

BUS – The Boiler Upgrade Scheme (BUS) supports the decarbonisation of heat in buildings. It provides upfront capital grants to support the installation of eligible heat pumps and biomass boilers in homes and non-domestic buildings in England and Wales.

D

DECC – Department of Energy and Climate Change. From July 2016 the new Department for Business, Energy and Industrial Strategy (BEIS) assumed the roles and responsibilities of DECC. In 2023, BEIS was replaced by the Department for Energy Security & Net Zero (DESNZ).

DESNZ – The Department for Energy Security & Net Zero (DESNZ) are responsible for RHI policy in Great Britain (GB).

E

Error rate – A measure of non-compliance. This is the estimated level of error across the scheme population, expressed as a percentage of all payments.

G

GEMA – The Gas and Electricity Markets Authority (GEMA) (the Authority) is the statutory body responsible for administering the DRHI in GB. The Authority's day-to-day functions are performed by Ofgem, the office of the Authority.

Ground source heat pump (GSHP) – see Heat pump.

GW – Gigawatt, equal to one billion watts.

GWh – Gigawatt hour, equivalent to one-billion-watt hours of heat output.

H

Heat pump – A heat pump is a device that extracts ambient heat from the air, ground or water and increases it to use for heating.

K

kW – Kilowatt, equal to one thousand watts.

kWh – Kilowatt hour, equivalent to one-thousand-watt hours of heat output.

S

Solar thermal – A system that uses energy from the sun to heat water.

T

TW – Terawatt, equal to one trillion watts.

TWh – Terawatt hour, equivalent to one trillion-watt hours of heat output.

Appendix 2 – Associated Documents

- The legislation which underpins the Domestic Renewable Heat Incentive (DRHI) scheme can be viewed on the legislation.gov.uk website:

  The DRHI section of the legislation.gov.uk website

  <https://www.legislation.gov.uk/primary+secondary?title=Domestic%20renewable%20heat>

- Guidance and resources in relation to the DRHI including annual reports for all previous scheme years along with other DRHI scheme data is published on our website:

  DRHI guidance and resources

  <https://www.ofgem.gov.uk/environmental-and-social-schemes/domestic-renewable-heat-incentive-domestic-rhi/contacts-guidance-and-resources>

- The Department for Energy Security & Net Zero (DESNZ) publish DRHI statistics on the gov.uk website:

  DRHI statistics

  <https://www.gov.uk/government/collections/renewable-heat-incentive-statistics>

- The policy consultation for the Renewable Heat Incentive: proposals for a domestic scheme:

  Renewable Heat Incentive: proposals for a domestic scheme

  <https://www.gov.uk/government/consultations/renewable-heat-incentive-proposals-for-a-domestic-scheme>