

RHI budget caps

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

The budget cap allows the Government to close the scheme to new applications at short notice, where the Government determines that there is a risk of the scheme overspending in either the current or future financial years should the scheme remain open. The decision to close the scheme will be a matter for ministerial discretion, and subject to parliamentary approval. Such a decision will be based on spending forecasts informed by the latest data, market intelligence and modelling.

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

Current financial commitment

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

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

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

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

Table 1

| | 16/17 | 17/18 | 18/19 | 19/20 | 20/21 |
|--|--------------|--------------|--------------|---------------|---------------|
| Budget cap | £640m | £780m | £900m | £1010m | £1150m |
| Current estimate of committed spend | £539m | £723m | £801m | £839m | £861m |
| <i>Non-domestic</i> | <i>£447m</i> | <i>£618m</i> | <i>£687m</i> | <i>£722m</i> | <i>£741m</i> |
| <i>Domestic</i> | <i>£92m</i> | <i>£105m</i> | <i>£114m</i> | <i>£117m</i> | <i>£120m</i> |

Figures may not sum due to rounding

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

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

Domestic: <https://www.gov.uk/government/publications/domestic-rhi-mechanism-for-budget-management-estimated-commitments>

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Differences from degrossion publication

These figures differ from expenditure commitments provided for the purposes of degrossion. Degrossion figures are higher because they represent an estimate of full annual commitments of all plants in the scheme. This means degrossion does not take into account the fact that a plant which is accredited part way through the year will only output a part of its capacity in the current financial year. It also assumes immediate production at full capacity which is not always the case, particularly with biomethane plants. This is in line with the methodology laid out in regulations. In contrast, the estimates in the tables above and below include the use of production profiles for new plant based on past behaviour within the scheme.

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

Previous estimates of committed spend

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

Table 2

| | 16/17 | 17/18 | 18/19 | 19/20 | 20/21 |
|-------------------------------------|--------------|--------------|--------------|---------------|---------------|
| Budget cap | £640m | £780m | £900m | £1010m | £1150m |
| Estimates of committed spend | | | | | |
| Data to end Nov 2017 | £539m | £723m | £801m | £839m | £861m |
| Data to end Oct 2017 | £546m | £727m | £801m | £837m | £858m |
| Data to end Sep 2017 | £545m | £722m | £790m | £830m | £853m |
| Data to end Aug 2017 | £546m | £716m | £774m | £811m | £834m |
| Data to end Jul 2017 | £548m | £714m | £770m | £806m | £828m |
| Data to end Jun 2017 | £553m | £717m | £772m | £808m | £830m |
| Data to end May 2017 | £554m | £699m | £748m | £782m | £804m |
| Data to end Apr 2017 | £554m | £697m | £738m | £772m | £793m |
| Data to end Mar 2017 | £553m | £684m | £723m | £756m | £776m |
| Data to end Feb 2017 | £550m | £648m | £687m | £719m | £738m |
| Data to end Jan 2017 | £551m | £652m | £683m | £707m | £727m |
| Data to end Dec 2016 | £547m | £645m | £674m | £699m | £718m |

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

Amendments to the RHI regulations came into force on 20 September 2017 and included increases to tariffs for certain technologies. These tariff increases apply to all new applications submitted

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from 20 September 2017 but were also applied from this date to applications submitted on or after 14 December 2016. As a result, expenditure for these installations was revised upwards in the September publication using August data and the expenditure totals reported that month and since are not directly comparable with previous forecast expenditure.

From April 2017, we updated our methodology for calculating Non-domestic load factors. Although the methodology has changed, the tables still represent our best estimate of committed spend at the time of calculation. This change does not affect our Domestic scheme estimates or estimates of spend on non-domestic biomethane.