REA Response to the BEIS Domestic Renewable Heat Incentive – ensuring a stable scheme Consultation

The Association for Renewable Energy & Clean Technology (REA) is pleased to submit this response to the above inquiry. The REA represents a wide variety of organisations, including generators, project developers, fuel and power suppliers, investors, equipment producers and service providers. Members range in size from major multinationals to sole traders. There are over 500 corporate members of the REA, making it the largest renewable energy trade association in the UK. Of particular relevance to this inquiry are the following Member Forums of the REA: Wood Heat Forum, which includes our biomass heat members; Biogas Forum, which includes biomethane producers, as well as our Solar and Energy Storage Forums.

22.Do you think that mandatory annual maintenance checks for biomass renewable heating systems should be introduced into the DRHI? If you support checks being introduced, do you think that this should be by the introduction of a biomass maintenance standard, or another method; for example, requiring that the manufacturer's maintenance instructions are followed? Please provide evidence to support your response to this question.

Yes.

The industry and the REA / Wood Heat Forum recognise and support a drive towards improved standards for biomass maintenance. Doing so, should ensure that installations are serviced appropriately, and the best efficiency and therefore lifespan of the boiler can be achieved.

It is for this reason that we fed into the MCS discussions on a standard for maintenance for the Domestic and Non-Domestic schemes. This will, establish a base requirement for all, across the strands of the RHI. We also believe this will create a more standardised and evidenced way of doing maintenance, with clear points about what an engineer should provide to the scheme participant. This can then be submitted to Ofgem to check, which should be a straightforward process.

However, we believe that some areas of the standard may have unintended consequences:

Firstly, the standard states a maintenance business must have a named individual, who will need to be assessed as competent by MCS. As stated, this may be by formal qualification, assessment of experience, or prior knowledge. Manufacturer specific training may also be used as evidence. There is uncertainty to this, for instance, should a business receive MCS accreditation and satisfy the criteria for competence, could they then go to a customer of any type and brand of biomass boiler? Conversely, if MCS take manufacturer training as the most persuasive form of evidence, would it be possible to deliver this training before the scheme comes in place? There is a further issue here for smaller manufacturers that may not provide training or guidance anymore on maintenance for their systems. Would there be further issues for maintenance businesses who maintain several different brands of boilers, and may not be able to attend or afford all the training from the manufacturer? If these questions are not answered, the standard could create additional uncertainty for consumers, especially in knowing who the best business would be to maintain their boiler. This in turn could obscure the objective of the standard, to increase reliability of these systems, as well as improve air quality. If maintenance is not done correctly, it would not achieve this.

These comments are for both the Non-Domestic and Domestic markets, but there will be differences between the two. The Domestic systems are likely to be less complex, although on the larger end of the scheme they may have similar complexities to small Non-Domestic systems. Given this, it may be appropriate for different types of maintenance to be done by different parties – with more complex maintenance requiring highly trained engineers. Consumers need to be aware of the differences between these types of maintenance, and therefore confident about which business and price will be most appropriate for the given situation. BEIS should look at ways to achieve this, and we will make points to MCS about how the standard could be updated to reflect this.

Finally, we would echo the points made by RECC in its response, that in cases where the checklist of maintenance is used, there should be a simplified version for the Domestic scheme. Having a simpler list, or one that clearly differentiates between different categories of maintenance will ensure participants can be satisfied themselves that adequate maintenance has been carried out, which they can then feed into the annual declaration to Ofgem.

23.How much do you think annual maintenance checks should reasonably cost, and should the government introduce a limit, or cap to the cost of the check? Please provide evidence to support your response to this question.

As stated in our response above, biomass installations have several complexities and specificities that will vary between installations. This may be due to the heating requirements of the home, the space available or personal preference of the owner. All of these, as well as the manufacturer of the boiler will impact the maintenance that will need to take place. Furthermore, achieving optimum efficiency, both in a fuel and carbon sense, will likely be different across installations. It is for these reasons that we would find it challenging to define what a 'reasonable cost' was, or to suggest a cap. Doing so, could lead to less effective or thorough maintenance being done, and therefore the benefit diminished.

It is still however, important that the owners of these domestic installations are protected, and should they pay more for maintenance, that they are confident the engineer is doing the checks that are required. One way to achieve this would be to encourage manufacturers to publish clear information about the maintenance and service requirements of the boiler. This would ensure that the customer can check the engineer is looking at all the areas.

24.Do you think that sanctions should be imposed on a participant if it is discovered that they have not complied with the requirement for an annual maintenance check? If you agree, what do you think the level of those sanctions should be (for example, recovery by the scheme administrator of the RHI payments for that year)? Please provide evidence to support your response to this question.

No.

As mentioned above, there are a number of complexities around maintenance – with some work requiring certain engineers that may become high in demand and low in supply. It would be unfair for instance, to punish a participant who is waiting for the right engineer to service their boiler, but they must wait 3 months. To introduce a sanction would be punitive and encourage that participant to have a maintenance check done elsewhere in order to satisfy the criteria.

Ofgem, as the scheme administrators, should work with participants to inform them about the forthcoming requirements, as well as having flexibility in the first instance to help those who may be

finding it difficult to meet the requirement by the date. The default position should therefore be that participants are trying to meet the requirement, rather than trying to game the system. That being said, should participants show a blatant disregard for the rule on numerous occasions, Ofgem should have the authority to restrict future payments, in line with existing rules on non-compliance.

25.Do you think fuel quality should be a mandatory criterion for approved feedstock accreditation bodies? Please provide evidence to support your response to this question.

Yes.

The industry recognises the need for fuel quality to be included as part of approved feedstock accreditation bodies and that better compliance in this regard will both help air quality and the efficient running of biomass boilers. The REA also support the work that has been done with the BSL to examine the options for delivering the required fuel quality standard.

Overall, we agree with proposed fuel quality standards, namely:

- all wood pellets to meet the EN Plus A1 standard or an equivalent standard
- all other wood fuels (such as chip) to meet fuel quality standard EN15234/SO 9001, and EN17225, or equivalent.
- all wood fuels to provide assurance of their supply chain, and that they meet the standards above, through certification by the Woodsure Certification scheme to test against these standards, or an equivalent scheme..

We also highlight that further work is going to be required by the accreditation bodies and BEIS to ensure that fuel quality standards can be both verified and proven. This will likely involve accreditation bodies considering their testing regimes to ensure the standard is being applied by suppliers. Unannounced audits should be considered as part of this to ensure fuel standards related to what is always being used within systems.

However, the industry is concerned about any additional administrative burden placed on suppliers or consumers. A significant proportion of accredited sites already adhere to the above standards in line with Woodsure or EN Plus certification. This already involves regular self-monitoring and being able to report when required during audit. The process of proving fuel quality to the administrator should be no more complicated then existing monitoring and reporting requirements under the relevant certification schemes. As such, we support the proposal that membership of an accredited quality assurance scheme should be sufficient evidence of a fuel quality standard.

The new fuel quality assurance criteria must also be transparently communicated, with clear guidance provided by Ofgem ahead of the regulation coming into force. Industry must also be given appropriate time to implement the new requirements and provide a reasonable time frame to be able to become compliant.

The new fuel quality standard should also not be implemented retrospectively, with a clear statement reassuring industry that the regulation will only apply from a specified start date. There should be no threat that the scheme administrator will require evidence of fuel quality for RHI payments prior to the regulation start date, or that previous payments may be asked to be repaid. The industry is already weary of such retrospective changes following ‘reinterpretation’ of legislation that resulted in the required standards for emissions certificates being changed and applied retrospectively to existing accredited sites. This was not done transparently or with adequate

consultation leading to serious industry complaints. This should not be repeated in the case of fuel standards.

User awareness is also crucial issue in relation to quality. Customers often have little or no idea about what they are buying, even after running a boiler for some time. Fuel is requested as; Grade A,B,C, Virgin, whole tree, clean recycled and recovered – these are all descriptions used indiscriminately. In addition, while the BSL state that moisture content must be on the delivery note or invoice this is not always done. As such, a fuel quality standard should be accompanied by a renewed education campaign to ensure users are aware of what they should be using and expecting from their supplier. We encourage BEIS and DEFRA to consider doing this in line with the decisions following the 2018 Defra consultation on 'Cleaner Domestic Burning of Solid Fuels and Wood'. The consultation response committed to a greater education and compliance campaign, working with local authorities, to ensure suppliers and consumers are aware of their obligations. This campaign should also now include messaging around the final decision on fuel quality requirements within the RHI, ensuring both industry and consumers are aware of what is required of them.

26.Do you think that a membership of an accredited quality assurance scheme should be sufficient? Please provide evidence to support your response to this question.

Yes.

A significant proportion of accredited sites already adhere to the above standards in line with Woodsure or EN Plus certification. This already involves regular self-monitoring and being able to report when required during audit. The process of proving fuel quality to the administrator should be no more complicated than existing monitoring and reporting requirements under the relevant certification schemes. As such, we support the proposal that membership of an accredited quality assurance scheme should be sufficient evidence of a fuel quality standard,

As elaborated upon in the two previous questions, businesses are aligned with Government on the need for a fuel quality standard and are in favour of better regulation that does not impose bans on the technology.

Particular attention should be on scheme design and ensuring that a fuel quality standard is fit for purpose and makes it easiest for businesses to ensure compliance.

28.Are there any other factors that we should consider, for example additional cost to consumers? Please provide evidence to support your response to this question.

See above for cost to consumers.

33.Do you have any comments on the implications of a potential requirement to use specific tamper-proof seals, including how any such requirement could be targeted to effectively tackle potential abuse? Please provide evidence to support your response to this question.

It is in the interest of industry to ensure that the RHI cannot be manipulated or 'gamed'. It is for this reason that the REA have supported the past actions of Government and Regulators to introduce new requirements and safeguards. However, when designing future safeguards, they should be designed appropriately to ensure they do not place disproportionate burdens on the vast majority who participate fully within the rules of the scheme. It must also be ensured that they meet the objective they seek, i.e., that it is effective in reducing fraud.

The Government should reflect these concerns in the proposal to mandate tamper-proof seals be fitted on temperature probes.

Firstly, on the objective of the proposal – it is to ensure that a heat meters reading cannot be inflated to increase the respective RHI payment. As stated above, we fully support this objective and the need to avoid gaming. However, we have serious reservations as to whether the installation of a tamper-proof seal would achieve that.

We have evidence from several of our members that suggest these tags could be bypassed in a number of different ways, meaning it would still be possible to inflate the readings. We are happy to provide further information to BEIS on our understanding of this. The base concern being that if this proposal is introduced into the Regulations, it would introduce a new cost and administrative burden on all participants, which could still be overcome by those seeking to inflate their readings. If this is the case, the burden is out of proportion to the benefit.

These issues and concerns need to be fully investigated before the decision is made to introduce such a requirement.

We address in our response to question 35 the other ways in which this issue could be addressed.

We have further concerns around the cost of doing so, especially as this will apply to existing scheme participants only as the scheme has now closed. In many cases on the Non-Domestic RHI, participants may have multiple heat meters, so the cost of retrofitting new seals on each is likely to be a substantial cost burden. This makes the point above, about ensuring these seals will prevent fraud even more pertinent.

34.Do you have any comments on how any such requirement could be implemented in a way that would reduce administrative burdens, including how any registration scheme could best be managed? Please provide evidence to support your response to this question.

The consultation document states that the measure would require the use of specific seals that meet quality standards, and a registration scheme to provide a unique identifier for each seal to help deter breaking and replacing of seals. Again, the design should bear in mind whether by trying to reduce the burden, you may also be weakening its effectiveness. To take an example, if the probe to be fitted was standardised, and the method or validating that was the same, might there be an unintended consequence that this may not lend itself to all boiler manufacturers or design types. It could be the case that the location of probes may differ across boilers and this may impact the effectiveness of the measure.

It may be the case that ensuring tags are fitted to manufacturers instructions would be the most effective route, but this may not necessarily be the option with the lowest administrative burden. This would mean that those who are auditing the systems would need to understand the different instructions.

We would be fully supportive of efforts to reduce the administrative burden of such a measure but would emphasise that getting the design of the seal itself right is the first crucial step. Once this has been achieved, BEIS and Ofgem can work with industry to design how compliance will be achieved to minimise the burden.

35.Do you have any comments about how this issue could be addressed through the scheme administrator's existing powers? Please provide evidence to support your response to this question.

As stated, the main objective of the measure is to prevent the inflation of heat meters to increase the RHI payment. We have explained above that there are several practical issues that must be overcome if tamper-proof seals are to achieve that objective.

We would recommend that the Government look at how the same goal could be achieved through existing powers and introduce the tamper-proof seals as a last case resort if necessary.

For instance, Ofgem already analyse data that they receive from participants to identify anomalies. We would encourage Ofgem to look at how this can be strengthened and how the data and fuel usage and heat output particularly can be used to identify those that may be manipulating their figure. Given the information about the boiler installed and capacity is available, it is possible to cross-check the submitted numbers. Whilst this will not produce a definitive answer, a list of 'suspect' installations could be established and Ofgem could then ask for further information. Within this, we presume they would have the authority within the Regulations to impose penalties on the participant where they have sufficient grounds.

In addition to this, we would urge Ofgem to strengthen auditing. In the past, we have expressed concern that the auditors may not have the required experience to audit systems under the RHI, so having a highly skilled audit team who can identify potential issues and where participants may be seeking to game the system is vital. With this in place, alongside a more visible auditing presence by Ofgem, it will go some way in deterring those seeking to get around the rules.

Overall, we would stress that there is not a straightforward answer when trying to avoid fraudulent activity under the RHI. This proposal may seek to create one, but we would instead call for a series of measures to be taken by BEIS and Ofgem. Together, they will make progress in reducing fraud under the RHI.