Boiler Upgrade Scheme Regulations – Consultation – August 2023

Differentiating grant levels

Question 1: Do you agree with the proposal to allow for the potential differentiation of the grant levels for different types of property or property owner within the regulations? Yes/No. Please provide evidence to support your response.

The REA agrees with the proposal to allow for the differentiation of grant levels. A flat grant, set at a level based on the deployment of sub 10 kW air source heat pump, cannot be considered technology neutral when no other size or technology is incentivised to deploy. The average reported costs of domestic RHI installations ranges from £9000 for a 6-10 kW air source heat pump and £27,350 for a 41-45 kW ASHP; similarly for biomass boilers the average cost was reported as £13,240 for a 6-10 kW boiler and £25,700 for a 41-45 kW boiler [1]. While it is recognised that the grant is only expected to meet a proportion of the whole cost, the grant needs to be proportionate to the size of the project, increasing for each kW of capacity provided. This will allow the grant to incentivise both a range of technologies and a range of sizes.

The current uptake of the Boiler Upgrade Scheme has been poor. From May 2022 to July 2023 less than 14,000 Grant Vouchers have been redeemed [2]. As the BUS has a budget of £450 million for grant funding available over three years from 2022 to 2025 [3], this figure should be nearly 30,000 installations in one year if the scheme is to reach its target. While more needs to be done to promote the scheme, part of the issue is that Grant is not attractive enough to drive installations. The median reported cost of installation under the scheme so far is £13,000 for ASHP's, £16,000 for Biomass boilers and £24,000 for GSHP's [2]. As such the previous grant level of £5000 was not proving attractive enough to drive significant numbers of installations. It is therefore welcome that the grant has been increased to £7,500 for air and ground source heat pumps, however this amount itself should be more flexible and better aligned to size of installation and technology. It is highly disappointing that Government have decided not to increase the grant level for biomass boilers. This penalises those where a biomass boiler is the most appropriate solution. While Government see biomass as a targeted solution for specific situations, where heat pumps may not be appropriate, it does not follow that they shouldn't then receive the higher grant amount where they are shown to be the best solution. The policy, as it is, will drive heat pump installations in properties where they may not be appropriate, which will be bad for the consumer and bad use of government funding. This must be rectified with the current grant increased for biomass boilers, in line with heat pumps. Separately, in addition to flexible grant levels, a no or low-interest loan should be offered in conjunction with the BUS to help cover the remainder of the capital costs. This will also help mitigate low-quality or undersized projects by enabling consumers to consider more expensive installations. Such a loan is likely easiest supplied by the Government and can be modelled on the successful Home Energy Scotland Loan Scheme, which provides 0% interest loans up to £17,500 for renewable energy systems. This would make the BUS much more attractive to consumers.

Energy Performance Certificate (EPC) requirements

Question 2: Should we maintain the current requirement for a valid EPC with no outstanding recommendations for loft or cavity wall insulation? Yes/No. Please provide evidence to support your response.

Yes. The REA recognises that there could be some advantage to the removal of the requirement, reducing barriers to installation. However, we raise concern that this could equally lead to inefficient heat pump installations. Rather than remove the requirement entirely, we would suggest that it

would be better to sign post and provide a greater level of support to help the consumer install such measures. If the grant level was more flexible, then the cost of the installation of these measures could be reflected in the BUS grant level itself.

We also encourage the government to expand its Great British Insulation scheme and take a more ambitious approach to retrofitting the UK's housing stock. It is evident that considerable progress still needs to be made, as in December 2020 it was estimated that of the 29.9 million properties in Great Britain, 30% of properties with a cavity wall had no insulation (equivalent to 6.1 million properties); 44% of properties with a loft had no loft insulation (equivalent to 8.4 million properties) [4].

If the requirements were to be maintained, we'd encourage the government to consider differing requirements between technologies. Whilst it is appreciated that heat pumps are more energy efficient in well insulated homes, the EPC and insulation requirement is not such a necessity for biomass boilers. Biomass boilers can operate at a higher heat load than heat pumps, making them more suitable for poorly insulated homes. Where installation of loft or cavity insulation may prove uneconomic, in an off gas grid area, the BUS should then also sign post to the installation of a biomass boiler as potentially an appropriate solution, aligned to existing policy intent.

Question 3: If you consider the EPC requirements to be a barrier to uptake, what specifically do you consider to be the issue:

a) Requirement to have a valid EPC

b) Requirement to have a valid EPC with no outstanding recommendations relating to loft or cavity wall insulation

c) Other

Please select one of the above and provide evidence to support your response.

There is widespread industry agreement that the methodology used for calculating Energy Performance Certificates (EPCs) is outdated. This is barrier to their use and value within the scheme. EPCs are determined by the Standard Assessment Procedure (SAP), but the SAP does not use up-to-date figures on cost, efficiency, and carbon intensity. These outdated methods regularly produce inaccurate results and can act as a barrier to the installation of low carbon heat technologies.

Question 4: If we retain the EPC requirements, are there any potential changes we could make to ease the consumer journey without risking heat pumps being installed in unsuitable properties? For example, allowing the submission of an expired EPC with no recommendations for loft or cavity wall insulation.

We would support the submission of an expired EPC, given that EPCs utilise methodologies which are outdated and rarely updated.

The REA supports the continuation of the Microgeneration Certification Scheme (MCS). Under the BUS the MCS heat pump system performance estimate helps property owners estimate the performance and running costs prior to installation, allowing customers to make an informed choice when deciding whether to transition to low-carbon systems. The REA does not support recent proposals for changes to the MCS, which include removing the requirement for installers to be part of a consumer code. Although aimed at simplifying the current scheme, we believe the proposed

changes could reduce consumer protection by allowing poorly performing installers to attain MCS certification more easily. Maintaining the current MCS system is crucial for ensuring good consumer experiences and a long-term sustainable renewable heat sector.

Biomass boilers with a cooking function

Question 5: Should we allow biomass boilers with a cooking function provided the cooking function is integrated and cannot be controlled separately to the heating function of the property? Yes / No. Please provide evidence to support your response.

Yes.

The rationale for excluding biomass boilers with a cooking function was to encourage efficient whole house heating systems. However, the only two pellet boilers on the market that have a cooking function (the Klover Smart 120 and Smart 80) are both high efficiency boilers designed for whole house heating which burn solid biomass, minimise direct heat loss to the surrounding area and provide heat through a liquid medium. The two biomass boilers with a cooking function use the same 'engine' as all the other biomass boilers on the PEL, they are just housed in a different looking carcass. The only difference between them and all the other domestic biomass boilers is that they use the small amount of incidental heat that passes to the room, which every boiler generates, to warm a hotplate and an oven. Both boilers have a very small output to room compared to their output to water.

A cooking function that cannot be controlled separately from the heating in no way reduces the efficiency of the boiler nor reduces its heat output. Using the small amount of heat that would inevitably pass to the room to cook on is a win-win as it doesn't compromise the boiler's performance and overall efficiency, but gives someone contemplating a change to a low carbon heat source another reason to install one. Although the cooking function is limited on such a boiler (i.e. it turns off when the house comes to temperature whether you want to cook or not) any cooking that can be done will be a further carbon saving compared to either calor gas or electricity on a conventional cooker.

A biomass boiler with a cooking function is a natural replacement for the thousands of inefficient and polluting oil and coal burning ranges such as Agas/Rayburns/Esses/Stanleys that currently heat many rural homes. Their installation costs are considerably lower because there will be an existing alcove and chimney and the necessary heating pipework will be in place with no need to alter the existing heating system. Furthermore, even if there is no existing cooking range, in older properties there is often a chimney in the kitchen which will significantly reduce installation costs.

Older, rural, off-gas-grid properties are commonly hard to treat and usually burn oil or coal. For many of these properties a heat pump may not be the most appropriate solution, equally it may prove difficult to install a utility biomass boiler for two main reasons:

i) A utility boiler requires an outbuilding and is considerably more expensive for the unit and the installation.
ii) An in-house boiler in the living room is possible but many people don't want their boiler in the living room.

For these reasons installation in the kitchen is often the best option and the Klover boilers were the suitable choice. However, since the Klover Smart 80 and 120 boilers were removed from the PEL our members have found that a number of these customers have chosen to buy a new oil boiler because a boiler suitable for installing in the kitchen wasn't available. Given that *'It is the Government's*

priority to ensure that no property is left behind in the transition to low carbon heat' we strongly recommend the reversal of the removal of the two domestic biomass boilers with cooking functions from the BUS to enable customers in properties unsuitable for heat pumps or utility boilers to make this transition.

[1] DES NZ (2022) RHI monthly deployment data: May 2022
https://www.gov.uk/government/statistics/rhi-monthly-deployment-data-may-2022

[2] DES NZ (2023) Boiler Upgrade Scheme statistics: July 2023
https://www.gov.uk/government/statistics/boiler-upgrade-scheme-statistics-july-2023

[3] Ofgem Boiler Upgrade Scheme https://www.ofgem.gov.uk/environmental-and-social-schemes/boiler-upgrade-scheme-bus

[4] BEIS (2021) Household Energy efficiency detailed release: Great Britain Data to December 2020
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/970064/Detailed_Release_-_HEE_stats_18_Mar_2021_FINAL.pdf