



Department for the

**Economy**

An Roinn

**Geilleagair**

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Adelaide House  
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**Our ref: SUB-0504-2026**

22 May 2026

Dear Peter

## **SL1 - The Renewable Heat Incentive Scheme (Closure) Regulations (Northern Ireland) 2026**

The Department for the Economy proposes to make a Statutory Rule under powers conferred by section 113 of the Energy Act 2011 and, when enacted, section 1(11) of the RHI (Closure of Non-Domestic Scheme) Act (Northern Ireland) 2026. The Statutory Rule is subject to the draft affirmative resolution procedure before the Assembly.

Following completion of Final Stage of the Bill in the Assembly on 12 May 2026, the Department is submitting this SL1 in advance of Royal Assent to enable Committee scrutiny of the draft regulations to commence at the earliest opportunity. This reflects the need to have closure arrangements in place ahead of Ofgem's withdrawal as Scheme administrator on 30 June 2026.

### **Purpose of the Statutory Rule**

The Statutory Rule will close the Non-Domestic Renewable Heat Incentive Scheme.

The Statutory Rule will provide for the transition from the current Scheme to closure arrangements through:

- conversion of eligible existing accreditations to closure accreditations and revocation of accreditations that are not converted;
- eligibility criteria for both plant and heat generated;

- annual closure payments for installations with a closure accreditation, including the basis of calculation, inflationary changes in tariffs, a cap on annual closure payments, and a four-band usage declaration model to enable reduced payments for installations operating at lower levels;
- an annual declaration process that participants must complete to receive an annual closure payment;
- inspection, compliance and enforcement provisions, including withholding of payments, revocation of closure accreditation, and recovery of overpayment (including through overpayment notices and offsetting);
- rights of review, including provision for review by an independent panel;
- provision for changes of ownership and location, and voluntary withdrawal from the closure arrangements; and
- administrative requirements on the Department in relation to publication of procedural guidance and aggregate information about closure accreditations and payments.

The Statutory Rule revokes all Regulations establishing the Non-Domestic RHI Scheme. It makes savings consequent upon the revocation of the 2012 Regulations, enabling completion of residual administrative matters such as final periodic support payments and changes of ownership or location notified before commencement under the 2012 Regulations for a limited transitional period. The Rule also makes savings consequent upon expiry of these Regulations, ensuring that review rights continue to apply in respect of applications made before expiry

### **Previous Engagement with the Committee**

The Department has engaged extensively with the Committee on the Bill and on the policy underpinning the closure regulations, including evidence sessions, responses to Committee queries, and other correspondence, as summarised below in reverse chronological order:

#### CQ 333/26 – RHI (Closure of Non-Domestic Scheme) Bill – Clause by Clause Scrutiny

The Department wrote to the Committee on 21 April 2026 in relation to the Committee's clause by clause scrutiny of the Bill, and in relation to the publication of information on closure audit, inspection and compliance arrangements.

### CQ 328/26 – RHI Closure Bill – AME

The Department wrote to the Committee on 24 February 2026 in relation to the future use of any remaining Annual Managed Expenditure (AME).

### Evidence session Wednesday 11 February

The Department provided an update to the Committee on the Bill, and on progress made in relation to the development of the regulations.

### CQ 312/26 – RHI Closure regulations

The Department wrote to the Committee on 3 February 2026 to provide commentary in relation to:

- Information on the financial impact of potential changes to the 2017-19 boiler use period in certain cases;
- An explanation and breakdown of the administrative costs associated with the Closure Regulations; and
- A timeline for the development of the portal for participants.

### RHI Closure – draft regulations

The Department wrote to the Committee on 2 February to provide the Committee with a draft of the closure regulations.

### Closure of the Non-Domestic Renewable Heat Incentive Scheme

Following the agreement of the Executive to the proposed approach to closure, after completion of the public consultation, the Department wrote to the Committee on 15 January to summarise the key elements following the consultation, including:

- A four-band usage declaration system (increasing from the three bands proposed in the consultation).
- A review mechanism for the 2017–19 reference period for exceptional circumstances; and
- Provision for the transfer and relocation of installations.

### CQ 302/25 – RHI (Closure of Non-Domestic Scheme) Bill – Assembly Research Briefing

The Department wrote to the Committee on 22 January 2026 in relation to

- The anticipated circumstances in which Clause 1(6) and 1(7), where the scheme may be amended and payment schedules altered, may be used;

- A comparison between the heat generated in the 2017-2019 period and that which is currently generated;
- Why other banding models which might encourage greater heat generation are not to be deployed;
- An explanation of the difference in the administration costs between Ofgem and DfE; and
- Commentary as to the anticipated inspection and audit regime including the review of biomass receipts and whether this is a reasonable and effective way of ensuring compliance.

#### Evidence session Wednesday 14 January

Following the conclusion of the Department's public consultation on the proposals for closure, departmental officials provided the Committee with a summary of the feedback received and set out the amendments to policy made as a result of the responses.

#### CQ 308/25 – RHI (Closure of Non-Domestic Scheme) Bill regulation making powers

The Department provided commentary to the Committee on 6 January 2026 with respect to the circumstances under which the Department intended to exercise the powers in Clauses 1(5) (authorising the Department to enter into agreements with other persons as to the exercise of specific functions on the Department's behalf or in collaboration with the Department) and 1(10) (which sets out that regulations made under Section 113 of the 2011 Act may include provisions concerning things done, or facts or circumstances existing, before this section comes into operation).

#### CQ 283/25 – RHI (Closure of Non-Domestic Scheme) Bill

The Department wrote to the Committee on 13 November 2025 in relation to a Delegated Powers Memorandum and Keeling Schedule for the Bill.

#### CQ 277/25 – Non-Domestic RHI closure

The Department wrote to the Committee on 21 October 2025 in relation to the closure consultation, the retrospectivity of closure regulations, fraud and loss of accreditation, Scheme statistics, tariff and closure calculation models, and profile of closure DEL spending.

#### Evidence session – Wednesday 8 October

Following the Introduction of the RHI (Closure of Non-Domestic Scheme) Bill to the Assembly, Departmental officials provided the Committee with a briefing in relation to the Bill, and in relation to policy proposals for closure of the Scheme.

Following the engagement with the Committee outlined above, the Department has continued the development of the draft closure regulations. In addition to engagement with the Committee, the Department has also engaged with legal advisors, stakeholders and Ofgem throughout this process.

The regulations are consistent with the policy approach previously set out to the Committee. Updates to the draft primarily reflect completion of sections that were outstanding, and strengthening of safeguards and deliverability provisions, rather than any fundamental change in policy direction.

The main policy changes to the draft regulations since previous engagement with the Committee are summarised below. These do not include structural and technical amendments to the previous draft.

- Enhanced Departmental powers to request further information, or conduct an inspection, where required, to determine if a plant is eligible for conversion to a closure accreditation (Regulation 6);
- An addition has also been made to Regulation 6 to provide for circumstances where a participant may not wish to transfer to the closure arrangements (6(7));
- An obligation on the Department to inform the participant of their right of review in relation to certain specified aspects of the closure arrangements, for example regulation 8;
- The annual inflationary change in tariffs (regulation 13) has been amended to the Consumer Price Index for all technologies, to ensure consistency and fairness for all participants;
- 'Eligible purpose' for heat generated (regulation 18) has been strengthened to ensure that heat is not generated solely for the purpose of obtaining an annual closure payment;
- A requirement has been added, in relation to biomass fuel, that the fuel used is produced sustainably and is of satisfactory quality (regulation 19);
- Clarity has been added with respect to the processes around change in location and change of ownership of an installation (regulations 23 and 24 respectively);
- Following significant engagement with stakeholders and discussion with legal advisors on the impact on A1P1 rights (which guarantee the right to peaceful enjoyment of property), provision has been added in relation to the complete replacement of an installation (regulation 25);

- A requirement has been added that maintenance must be carried out by a suitably qualified and competent person (regulation 27);
- Regulation 30 has been amended to clarify that, where information confirmed, updated or provided by a participant was incorrect, that the closure participant fails to comply with the closure regulations;
- Regulation 37 has been amended, following significant stakeholder engagement, to require that the Department must give a short notice period of 24 hours in advance of an inspection – this is without prejudice to the provision for inspection in regulation 6 which allows for inspection without notice to determine eligibility;
- A further right of review (regulation 39), to be carried out by an independent panel, has been added;
- Clarity has been added around a participant's right to voluntarily withdraw from the closure arrangements if they so wish (Regulation 40);
- Savings and transitional provisions (regulation 44) have been further enhanced to clarify matters which may arise during the period of transition from the current Scheme to the closure arrangements, and savings in relation to review rights following the expiry of these regulations;
- The tariffs in Schedule 1 have been updated with this year's inflationary changes.

## **Financial Implications**

The estimated cost of the proposals is approximately £19.4m per annum, with a total cost to 2035/36 of up to £213m.

The majority of costs relate to Annual Managed Expenditure (AME), associated with closure payments to participants, estimated at approximately £17.5m per annum. Departmental Expenditure Limit (DEL) costs, relating to administration, system delivery, inspection and compliance activity, are estimated at approximately £1.5m per annum.

AME cover for participant payments has been confirmed. DEL costs will need to be managed within the Department's existing budget position. While the budget position for 2026/27 and beyond remains subject to final agreement, the Department considers that the costs arising from the closure regulations can be managed within available resources.

On this basis, the Department considers the proposals to be affordable.

## **Consultation**

A public consultation on the proposals for closure was launched on 29 September 2025 and closed on 24 November 2025. Following the conclusion of the consultation, the Executive considered the Department's formal response to the consultation in January 2026 and agreed the proposed policy approach.

A copy of the consultation document and the Department's response can be found on the DfE website at:

<https://www.economy-ni.gov.uk/consultations/closure-northern-ireland-non-domestic-renewable-heat-incentive-scheme>

## **Compliance with Section 24 of the Northern Ireland Act 1998**

The making of this rule complies with Section 24 of the Northern Ireland Act.

## **Consideration by the Executive**

In September 2025 the Executive agreed a pathway to close the Non-Domestic RHI Scheme, including agreement to:

- Introduce a Bill to provide the Department with the power to close the Scheme through regulations. The RHI (Closure of Non-Domestic Scheme) Bill was introduced to the Assembly on 6 October 2025.
- Consult on closure regulations. The Department ran an eight week public consultation on policy proposals for the closure regulations from 29 September 2025 to 24 November 2025.
- Implement closure regulations post-consultation. Subject to the Bill's passage, closure regulations will be introduced to the Assembly, with the aim of taking effect by 30 June 2026.
- Introduce separate regulations to increase tariffs before winter 2025. The Renewable Heat Incentive Scheme (Amendment) Regulations (Northern Ireland) 2025, which increased the tariff for periodic support payments made under the Scheme to accredited small and medium biomass installations in order to support participants during the transition, were approved by the Assembly on 1 December 2025 and the updated tariffs took effect from 2 December 2025.

Following the conclusion of the public consultation, the Executive considered the Department's formal response to the consultation in January 2026, and agreed the proposed policy approach.

### **Equality Impact**

An Equality Impact Assessment screening has been carried out. The screening concluded that an equality impact assessment should not be carried out as none of the proposed changes in the policy will have any direct impact on equality of opportunity for any of the Section 75 groups, nor is it likely to impact on good relations between people of any of the Section 75 groups.

### **Regulatory Impact**

A Regulatory Impact Assessment was carried out and found that the preferred option (close the Scheme with staged annual payments to eligible participants for the remainder of their original 20-year accreditation period) does not impose direct costs on businesses.

### **Rural Needs Impact**

A Rural Needs Impact Assessment has also been undertaken, and no specific rural needs were identified in relation to the Scheme participants.

### **Data Protection Impact**

A Data Protection Impact Assessment (DPIA) was completed in relation to Ofgem's withdrawal from the administration of the Non-Domestic RHI Scheme and the development by the Department of a new Closure Scheme system.

Essential participant and installation data held by Ofgem will be transferred to the Department as a closure dataset. As the Scheme remains live during transition, multiple secure data transfers are required to support cleansing, reconciliation, assurance checks, and migration into the new system. The data includes participant and business details, authorised signatories, and technical installation information. Limited bank information (last four digits only) will be transferred solely for verification purposes to minimise risk.

Due to complexity and anomalies in the legacy Ofgem data, real (non-synthetic) data is required for testing and development of automated migration processes. Testing will use the minimum data necessary and anonymisation will be applied where possible. Robust technical and organisational safeguards are in place throughout, including encryption, strict access controls, audit logging, and secure storage.

All historical RHI data will also be transferred to the Department for long-term retention, with Ofgem providing assurance on its accuracy and completeness. The process is overseen by a dedicated data migration manager, supported by specialist IT expertise, working closely with Ofgem to ensure secure, compliant, and timely delivery.

### **Child Rights Impact**

These Regulations will not have any direct impact on children's rights therefore a Child Rights Impact Assessment is not necessary.

### **Position in Great Britain (if appropriate)**

Schemes to incentivise the use of renewable heat also exist in Britain and Ireland. Although the schemes are similar in many ways, significant differences exist both in how the cost control and tariff structures were designed initially, and in adjustments made during the lifetime of the schemes.

### **Any other information**

Not applicable.

### **Proposed timing of consideration of the SL1**

Ofgem will cease its role as Scheme administrator on 30 June 2026. The draft regulations are required to close the existing Scheme, convert eligible accreditations to closure accreditations, and implement annual closure payments.

If the regulations are not in place by this date, the current 2012 Regulations will remain in force and participants will continue to be entitled to quarterly payments. However, the Department will not be in a position to administer or deliver those payments.

It is therefore important that the closure regulations are brought into operation in advance of Ofgem's departure, to ensure a smooth and orderly transition to the new arrangements.

As well as the powers under section 113(8) of the Energy Act 2011, the regulations will rely on the powers to be introduced by the RHI (Closure of Non-Domestic Scheme) Bill. The Bill completed Final Stage in the Assembly on 12 May 2026, however Royal Assent is not yet in place.

The Department is engaging with relevant parties to support the timely progression of the Bill to Royal Assent, recognising the importance of providing certainty on the legislative framework within the required timeframe.

In parallel, and to mitigate delivery risk, the Department would welcome Committee scrutiny of the draft regulations at the earliest opportunity.

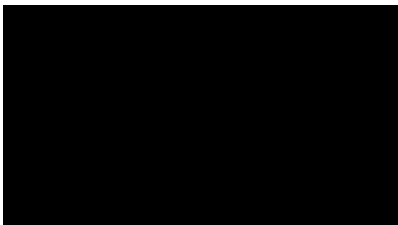
For these reasons, the Department is taking the step of submitting the SL1 in advance of Royal Assent, to allow scrutiny of the draft regulations to proceed in parallel with the Bill completing its passage, with the aim of ensuring that the regulations are in place before Ofgem's departure on 30 June 2026.

### **Proposed Operational Date**

It is proposed that the rule will come into operation on 30 June 2026.

The draft of the proposed Statutory Rule and Explanatory Memorandum are attached, and I would be grateful if you could bring this matter to the attention of the Committee for the Economy.

Yours sincerely



**Departmental Assembly Liaison Officer**

**cc Legislative Programme Secretariat (Executive Office)  
Human Rights Commission**