



The Certification Mark for Onsite Sustainable Energy Technologies

Why is Assignment of Rights being introduced?

Renewable heating systems can be expensive to purchase and install. The high initial capital costs associated with the installation of renewable heating technologies are often seen as a barrier to deployment, especially in low income households. While the domestic Renewable Heat Incentive (RHI) helps to subsidise the cost over time, the heating system must be purchased and installed before the installation can be accredited and RHI payments can begin. Assignments of Rights (AoR) is being introduced as an attempt to overcome this cost barrier and increase deployment of renewable heating technologies. It should increase access to renewable heating systems for more of the public and help to grow supply chains in the renewable heating industry.

When is Assignment of Rights being introduced?

AoR came into effect on 27th June 2018.

What is Assignment of Rights?

In AoR, an Investor (who isn't the owner of the renewable heating system), may finance the purchase and installation of a renewable heating technology for a domestic property. In exchange, a consumer agrees to assign the rights to their RHI payments over to the Investor for the 7-year payment period. Once the rights are assigned, the Investor is paid directly by Ofgem. The consumer therefore will receive a new renewable heating system without having to pay for some, or all, of the plant and installation costs. The expected lifespan of these systems is between 15 and 20 years. In exchange, the third-party Investor receives a secure, inflation indexed revenue stream over the lifetime of the RHI payment period (7 years).

What is the difference between Assignment of Rights and traditional Third-Party Financing?

Assignment of Rights

Under the AoR model, a consumer contracts with the third-party Investor and assigns the rights to RHI payments to the third-party Investor for the 7-year payment period. The Investor then funds all or part of the renewable heating system. However, ownership of the heating system remains with the consumer.

The consumer then applies to Ofgem for their installation to be accredited to the domestic RHI. As part of the application process, the consumer assigns the rights for RHI payments to the Investor. If the application is successfully accredited, then the installation is accepted into the scheme and the Investor receives RHI payments quarterly for the 7-year payment period, in the same way as non-AoR installations. Both the consumer and the Investor have ongoing obligations to which they must comply. The consumer may enter into a maintenance (and for biomass, fuel) contract with the Investor, or another qualified installer.

At the end of the 7-year payment period, the RHI payments stop, the contract terminates (unless there is agreement for a service/maintenance or fuel arrangement to continue), and the consumer retains ownership of the heating system.



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Third-Party Ownership

Under the traditional Third-Party Ownership (TPO) the third-party contracts with the consumer. The third-party financier then funds all or part of the renewable technology and owns all or a proportion of the renewable heating system. The third-party financier applies for accreditation for the RHI and would directly receive the RHI payments. Both the consumer and the Investor have ongoing obligations to which they must comply. The Investor and consumer will need to agree the service and maintenance (and for biomass, fuel agreements) for the system, and how they ensure that their ongoing obligations are met. The third-party financier and the consumer will additionally need to agree what happens at the end of the 7-year payment period. This should be set out in the initial contract and should address issues such as transfer of ownership of the renewable heating system to the consumer and any associated costs.

Why was Assignment of Rights chosen over third party ownership?

AoR, the consumer always owns the heating system (including during the AoR contract period). This means that the renewable heating system cannot be decommissioned or removed in dispute cases. Additionally, it removes risks of hidden fees (e.g. to transfer ownership at end of contract).

There are further risks to the consumer with the third-party ownership model. A heating system is an integral part of a property, and there are associated risks around mortgages, home insurance, and the ability of consumers to resell their homes. A further concern is around the valuation of property if the heating system was not included in the property deeds.

It is intended that the current 'shared ownership' third-party model be closed to new installations, once AoR comes into force. Any installations successfully accredited before 27th June 2018 are unaffected.

The AoR model is also much closer to the current non-AoR model than third-party ownership. It can therefore be introduced more cost-effectively and efficiently into the scheme, and scheme administration will be much less complicated than if the TPO model had been selected.

How does Assignment of Rights work?

A potential Investor first applies to become a member of an approved consumer code (RECC or HIES). The rationale behind code membership is to ensure adequate consumer protection is in place. The Investor is required to provide relevant information and documentation to the codes, including the contract that they intend to use with consumers for AoR installations. The consumer codes have developed a standard model contract template for Investors to use. While this is not mandatory, Investors are strongly encouraged to use the standard contract. If the standard contract is not used, gaining membership of the codes will be delayed while the contract is assessed.



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Once their applications are approved by the consumer code, the Investor can apply to Ofgem to become a registered Investor. As part of the registration process, the Investor must supply relevant information and documentation to Ofgem, including a copy of the contract that they intend to use with consumers for AoR installations. Ofgem will compare this contract with the standard model contract. If the Investor contract matches the standard contract, the registration process will continue. If the Investor contract does not match the standard contract, the registration will be delayed while the differences are discussed. Ofgem may also return the contract to the consumer codes, causing further delay, and any differences in the contract could contribute to the registration being rejected. As a result, Investors are strongly encouraged to use the standard contract.

Once registration is successful, a registered Investor may agree contracts with consumers, and to purchase, install and commission eligible renewable heating systems. All installations must be carried out by an MCS Certified Contractor installing an MCS certificated product and be in accordance with MCS standards. The consumers then apply for accreditation to the domestic RHI, in the same way that non-AoR applicants apply to the current scheme. As part of the application process, the consumer will be able to assign the rights for the RHI payments to the registered Investor by nominating them. On successful accreditation the registered Investor, becomes the “Nominated Registered Investor” (NRI) for that installation. The consumer/applicant now becomes the “participant.” The NRI receives the quarterly RHI Payments for the 7-year payment period.

Once an AoR installation is successfully accredited, administration of the scheme by Ofgem is designed to be practically identical to non-AoR installations. There are no separate tariffs, degression triggers or budgets for AoR installations. AoR is designed to be technology neutral, meaning that no eligible technologies are excluded.

Both NRI and Participant will have ongoing obligations that they will need to comply with throughout the 7-year payment period to remain eligible for RHI payments. Failure to do so may result in Ofgem withdrawing RHI payments, recovering payments or revoking accreditation to the scheme depending on the scale of non-compliance. Ofgem also have the ability to stop payments for all an NRI’s installations, not just the ones considered in breach. At the end of the 7-year payment period, the RHI payments stop and the consumer remains the owner of the renewable heating system.

One of the ongoing obligations that the Participant must comply with, is to maintain the renewable heating system in good working order. The consumer must therefore arrange for the heating system to be regularly serviced and have a maintenance agreement (and for biomass, fuel agreements) for the system. This may be with the Investor or the Participant may decide to contract with another qualified installer.

What are the benefits of Assignment of Rights for the public?

Consumers should benefit from AoR as it should increase access to the scheme by reducing the upfront costs of a renewable heating system.

Some Investors may offer renewable heating systems at zero cost, and others might offer discounted heating systems. For example, an Investor could offer a heating system worth £18k at a lower price such as £3K. Additionally, in some cases consumers may benefit from savings on their energy bills due to the new renewable heating system.

What are the benefits of Assignment of Rights for MCS Contractors?



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AoR should also have benefits for MCS Contractors as it should lead to increased levels of deployment and help to develop supply chains for renewable heating technologies.

How can an MCS Contractor participate in Assignment of Rights?

Only MCS Certified Contractors may install renewable heating systems that are eligible for the domestic RHI, and this includes AoR installations.

However, an installer might want to become an Investor-installer and carry out their own installations, or a registered Investor might want to subcontract to an MCS Contractor to carry out the installation.

What consumer protection measures are being introduced alongside Assignment of Rights?

Consumer protection under AoR is of paramount importance. All Investors must be members of a Chartered Trading Standards Institute Approved Consumer Code RECC or HIES and adhere to the relevant Code of Conduct. Alongside this, all Investors must register with Ofgem. All Investors are also encouraged to use a model contract that has jointly been produced by RECC, HIES, Ofgem and BEIS. Each AoR installation will also have the same consumer protection as other RHI installations, as only MCS Contractors can install them, and installations must comply with MCS standards. Finally, Ofgem will have increased powers to investigate and to withhold RHI payments or remove non-compliant Investors from the scheme.

More information on AoR and the domestic RHI can be found on Ofgem's website <https://www.ofgem.gov.uk/environmental-programmes/domestic-rhi>.