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Assignment of Rights
Guidance for Homeowners

The basics

The Domestic Renewable Heat Incentive (DRHI)

The UK Government's DRHI scheme pays domestic consumers (and landlords) for the energy they generate using renewable heating systems such as heat pumps, biomass and solar thermal[1]. The payments act as an incentive for homeowners to choose renewable heating instead of conventional heating such as:

- fossil-fuel boilers (oil, mains gas or LPG);
- coal fires; and
- storage heating or convectors that use electricity.

The Assignment of Rights (AoR)

If you are a homeowner (or a landlord) then AoR is designed to help you pay for a renewable heating system. A 'registered investor' pays for all or part of the new system and arranges the installation. In return, you apply for the DRHI and assign all of these payments to the investor under AoR. In theory, as a homeowner, you may also benefit from lower on-going energy bills (for more on potential savings see: *What other questions should I ask before I sign up?)*

The Office of Gas and Electricity Markets (Ofgem)

Ofgem runs the DRHI and AoR schemes on behalf of the Government. See Ofgem's Essential Guide to Assignment of Rights for detailed information about how AoR is organised. You should read this document before signing a contract, to help you make an informed choice.

Important

You can make significant energy savings by using renewable energy to replace your conventional heating system. But, a renewable heating system may not be right for your property and, in some cases, savings aren't possible. Choosing to replace your heating system is a big decision. Don't feel rushed or pressured by anyone. Use the information below to help weigh up the pros and cons of AoR for your particular situation.

[1] Solar thermal systems have not been covered in this guidance. Should you require any information on solar thermal and the DRHI then please contact RECC directly.

What is AoR?

Why is AoR being introduced?

The DRHI scheme helps the Government to reduce the emissions that cause climate change. The greater the number of renewable heating systems installed, the greater the reduction in carbon dioxide from domestic heating. The DRHI is designed to help homeowners recoup the cost of installing a renewable heating system through a combination of:

- the DRHI payments they receive; and
- any fuel savings they make.

But the up-front capital cost of a renewable heating system can be too high for many homeowners. By removing all or part of this cost barrier, AoR is intended to help more homeowners benefit from the lower fuel bills and reduced carbon dioxide emissions that renewable heating systems can bring.

How does AoR work?

The idea behind AoR is simple. The registered investor pays for all or part of the up-front cost of supplying and installing the new renewable heating system. Ownership of the whole system will pass to you once it's installed. You get a new heating system and you should also benefit from lower energy bills. In return you apply to the DRHI scheme and nominate the registered investor to receive all of the DRHI payments. The actual installation work must be carried out by a certified MCS installer (see: *The installation work*, below, for more on this).

In practice, you will need to read and complete some important paperwork. The whole arrangement must be set out in a clear contract and proposal, which you must be given to read and consider carefully before you make any agreement. The proposal contains all the pre-contract sales information and the contract sets out the rights and obligations that will be placed on you and the investor for the 7 year DRHI payment period should you sign the contract. The contract also sets out Ofgem's role in running the DRHI Scheme. For more information on this, please see Ofgem's guidance document, the Essential Guide to Assignment of Rights. (for more on this see: *What other questions should I ask before I sign up?*). If you are not sure about anything, we recommend that you get independent expert advice or contact us.

Once the installation is finished, you will have to apply to Ofgem under the DRHI Scheme Regulations and as part of the application process, 'assign the rights' to all of the DRHI payments to the investor. If your application is approved, you will become known under the scheme as the 'Participant' and your investor will be the 'Nominated Registered Investor' for your installation.

Who can be an investor?

The investor can be an individual, company or organisation but they must be a member of one of the two Chartered Trading Standards Institute (CTSI) approved consumer codes for AoR – the

Renewable Energy Consumer Code (RECC) or the Home Insulation & Energy Systems Scheme (HIES). The investor must also be registered with Ofgem.

What are the Consumer Codes?
The Consumer Codes protect the interests of consumers installing renewable energy systems in their properties. This guidance refers only to the requirements as set out by RECC.

The installation work
The actual installation must be carried out by an installer certified under the Microgeneration Certification Scheme (MCS). The MCS scheme ensures that renewable energy installers meet strict technical standards and that renewable heating systems are safe and effective. The investor and the installer can be the same company but this is not compulsory. Investors who are not MCS-certified installers themselves must subcontract the actual installation of the renewable heating system to an installer who is MCS-certified.

If the installation work is subcontracted then you will also have a very limited zero-value contract with the MCS-certified installer. This will be zero value and will cover the system's commissioning and registration on the MCS database. However, the investor must always take responsibility for the entire contract, sub-contracting, installation and aftersales.

What are the potential benefits of AoR for me?
Many people are spending a growing proportion of their income on the energy they need for heating and hot water. In most households around 60% of the total amount of money spent on energy goes on heating and hot water. In some cases this can cause real hardship. Renewable heating can often help people reduce their energy bills but many homeowners can't commit the full up-front cost needed for the equipment and installation. If this sounds like your situation then AoR could be a solution.

If renewable heating is suitable for your property, then AoR should help you access funding for the installation and cut your bills for heating and hot water. There may be other benefits depending on your situation. For example:

- If your current boiler is old and needs to be replaced then AoR can help you access funding to install a completely new heating system for little or no charge (AoR is not available for non-renewable systems such as oil, gas or LPG boilers.)
- You may be keen to replace your fossil-fuel boiler and cut the carbon emissions that cause climate change.
- Most people replace their boiler when it breaks down completely. This is called a 'distress purchase' and it can be stressful. AoR can help you plan for and access funding for a new heating system now.

However, it is important to understand that renewable heating is not a good solution for everyone. Energy savings aren't always possible. Whether you can benefit depends on many factors including your property and the renewable technologies that are suitable. For more on this see: What other questions should I ask before I sign up?

What are my obligations under AoR?

> **Important**
> By signing a contract you will have legally-enforceable, contractual obligations to the investor, in addition to on-going obligations to Ofgem under the DRHI scheme for the 7-year RHI payment period.

Assigning the DRHI payments under AoR

You must apply to Ofgem for accreditation to the DRHI scheme yourself. Your investor cannot complete the DRHI application for you. This prevents an unscrupulous investor entering inaccurate information about your installation. Ofgem will require from you all the information needed for a standard DRHI application (which includes information about you and your property). In addition, and as part of the application process, you need to assign the rights for the RHI payments to the investor. To do that, you will need to enter some additional information that the investor will provide you:

- the investor's Unique Registered Investor Reference (URIR);
- the investor's Contract ID; and
- a copy of the actual contract you have signed with your investor.

If your application is successful, the investor will then become the 'Nominated Registered Investor' for the renewable heating system and will be entitled to receive all the DRHI payments for it over the full 7-year lifetime of the DRHI payment period.

For more information about the Ofgem DRHI application process see Ofgem's Essential Guide for Applicants.

Your on-going obligations to Ofgem under the DRHI

If your application to the DRHI scheme under AoR is successful, you become known as the 'Participant'. Participants have ongoing obligations to Ofgem. These duties and responsibilities relate to you, your property and your renewable heating system. These obligations are important because if you fail to comply with them Ofgem may suspend, withhold and/or recover the payments made to your 'Nominated Registered Investor' and you may have to pay

compensation to the investor for any payments they may permanently lose. The following are key examples of the on-going DRHI obligations you should be aware of[2]:

- You will need to ensure that the renewable heating system remains in good working order and is covered by appropriate insurance. You will be responsible for the day-to-day upkeep but there should be a separate agreement for maintenance services. Your investor may be able to offer such a maintenance contract or you can use a different company. For more on this see: *Question 11: What will be the arrangement for on-going maintenance?* If the heating system is not working properly, and is therefore not generating eligible heat, Ofgem may take enforcement action that could have consequences for you and your investor. You will need to maintain the system in line with the manufacturer's instructions.
- If your heating system stops working and can't generate eligible heat, you must contact Ofgem within 28 days of discovering this.
- You must tell Ofgem about any change in ownership of the heating system (for more on this see *Question 13* below).
- You must tell Ofgem about anything that might affect your eligibility for the DRHI. For example if the property becomes occupied for less than 183 days in the year then the system would require metering for payments.
- You must cooperate with Ofgem by keeping relevant paperwork.
- You must comply if selected to provide information or access to your property as part of an Ofgem evaluation or audit.
- If you install a biomass boiler you should obtain a fuel supply agreement and the supplier should be listed on the Biomass Suppliers List (BSL) to be eligible for Domestic RHI payments (see *Question 12 for more information on fuel supply agreements*).

The full list of ongoing obligations is described in the Essential Guide to Assignment of Rights (Section 12).

Your contractual obligations to the investor under AoR

You will also have a number of important contractual obligations to your investor. For example:

- If you sell your property (including the renewable heating system) at any time before the end of the 7-year DRHI payment period then you can transfer the AoR contract with the investor to the new property owner. However, if the new property owner is not willing to continue the AoR contract and the DRHI payments therefore cease, then you may have to pay the investor compensation for future DRHI payments that they will lose as a result.

[2] For the full list of obligations see: https://www.ofgem.gov.uk/key-term-explained/ongoing-obligations

- If your circumstances change and your property becomes occupied for fewer than 183 days per year for example, then the renewable energy the system generates will need to be metered and this may affect the payments made to your investor. If this happens then you may have to pay for the meter to be installed and for compensation for any reduction in the level of DRHI payments made to the investor.
- If at any time before the end of the 7-year DRHI payment period, the renewable heating system is damaged or stolen then it may be your responsibility to ensure, using your own money or insurance, that an eligible replacement system is supplied and installed.
- If there are periods when the renewable heating system is not in good working order, and this is not the investor's fault, you may have to pay the investor compensation for any DRHI payments lost as a result.

You will need to examine the AoR contract terms carefully for a full description of all the contractual obligations that you will have to the investor.

What other questions should I ask before I sign up?
The questions and answers below should help you assess the sales advice provided by an investor and any formal proposal they make. Remember:

- don't be rushed into making any decision;
- it may make sense for you to improve your property's energy efficiency by, for example, improving the insulation or glazing;
- interest free loans and other sources of funding for renewable heating systems are available, depending on where you live (see *Getting Advice* – below).

Question 1: Is my property suitable for a renewable heating system?
Whether a renewable heating system is appropriate for your circumstances depends on many factors and your investor will organise a survey determine whether your property is suitable or not. This must be organised before the investor can offer you a final installation proposal.

For example, heat pumps can work well and reduce energy costs in many types of property. However, in order to work efficiently in some homes, the installer may need to replace the radiators. If this is too expensive or not possible then a heat pump may not be suitable.

Biomass systems need a lot of space for the boiler and for storing fuel. Some biomass systems need to be manually fed with logs or pellets and are not suitable for people who are elderly or infirm.

Some people are much more likely than others to save money by switching to a renewable heating system. For more on this see questions *2* and *3* directly below.

Discuss your survey results with your investor and try to obtain impartial advice – see *Getting Advice*, below, for more detail.

Question 2: Will renewable heating help me spend less on heating and hot water?

This question is critical but harder to answer than it looks. If you currently use electric heating such as storage heaters or convectors, then you are likely to save money by switching to a renewable heating system such as a heat pump or biomass. However, if you currently use mains gas or oil then your ability to save money is much less predictable. The possible savings will depend on what happens to those fuel prices in comparison to the cost of the electricity needed to run a heat pump or the cost of wood fuel for a biomass system. You will need to examine the investor's proposal carefully.

Before you sign a contract the investor will give you an MCS 'performance estimate' that forecasts your future costs, and it may compare those predicted costs with your current spending on heating and hot water. But forecasting the financial impact of an installation is extremely difficult because there are so many important uncertainties. A lot depends on whether the investor pays the whole cost of the renewable system and installation or if you are asked to make an up-front contribution. See *Question 4*.

What we can say for certain is that some properties are much more likely to save money using renewable heating than others. For more detail on this see the Government's RHI Calculator and see *Question 3.*

Question 3: How do I assess the investor's claims?

Under MCS rules, you must be given a performance estimate for the renewable heating system before the contract is signed. This will indicate the costs and savings that may be possible. The content of the performance estimate you are given depends on the technology you are being offered, which is likely to be either a heat pump or a biomass system.

Heat Pumps:

Before the contract is agreed, you must be given the *Heat Pump System Performance Estimate* document. This includes:

- the energy you need for heating and hot water (taken from your Energy Performance Certificate; for more on this see: *Question 5: What is an Energy Performance Certificate?*);
- the amount of money you currently spend on fuel to provide the heating and hot water you need (such as gas, oil or electricity); and
- the investor's forecast of the amount of electricity you will need to run the heat pump to provide the energy you need – and how much that will cost.

Biomass:
Before the contract is signed, you must be given a performance forecast but investors can choose how to present the information. You should be told the total mass of fuel (for example, pellets or logs) you will require annually and the investor is likely to estimate the cost of that fuel. You can compare your current expenditure on heating and hot water with that forecast (for more on biomass fuel see: *Question 12: What about biomass fuel?)*.

The financial impact of installing and using a renewable heating system will depend on what happens to the price of the fuel you replace, the price of the fuel you use to run the new heat generator (wood fuel for biomass or electricity for heat pumps) and how your renewable heating system actually performs.

Important
Be cautious about the claims made in performance estimates. These estimates are useful when making comparisons *between* proposals but are much less reliable for predicting future fuel costs with any degree of accuracy. In particular, be cautious about claims made for fuel savings over a long period. If the estimate indicates little or no fuel cost saving then renewable heating may not be the best way to save on energy costs. If you are not sure – get a second opinion. Don't rely on information from only one investor.

Estimates are not definite because fuel prices vary over time. Furthermore, the technical methods used to calculate the forecasts do not accurately reflect performance in real life. The running costs indicated in the estimates may be significantly higher.

Remember, while significant savings can be made by switching from gas or oil heating to renewable heat such as a heat pump or a biomass boiler, this is not always possible.

Question 4: Will there be any up-front costs?
A 'Registered Investor' can offer to pay the full cost of the renewable heating system (and the installation) or the investor may ask you to make a contribution (in the form of an up front fee). For example, if the total cost of the purchase and installation is £10,000, the investor may offer to pay between £5000 and £8000 depending on the size and design of the renewable heating system required.

It is critical for you to know whether you will be asked to pay any up-front charges before signing a contract. If you are, you will only make financial savings once you have recouped those up-front costs. You will need to be sure you can recoup those costs as soon as possible. For example:

Investor's contribution	£8,000
Up-front fee	£2,000

Total cost of system and installation	£10,000
Predicted annual fuel cost savings	£275
Payback Period	£2,000 ÷ £275 = 7.27 years

In this example the up-front fee is £2,000 and you are told the installation should help you save £275 per year. This means it will take you slightly more than 7 years to recoup the up-front expense. This is called the 'payback period' – the period of time it will take for you to see any financial benefit. These predictions are also uncertain because fuel price inflation is unpredictable. You will also need to consider any on-going maintenance costs in comparison to the cost of maintaining your conventional heating system. See *Question 8.*

Question 5: What is an Energy Performance Certificate (EPC)?

An EPC is needed whenever a property is built, sold or rented. The EPC is very useful because it contains information about a property's energy use the typical costs for this and recommendations on how to reduce your energy use and save money. You should examine these recommendations carefully.

It is essential that you have an EPC before you apply to the DRHI scheme. You must have a valid EPC before the investor can offer you the *Heat Pump System Performance Estimate* document (for more on this, see *Question 3*).

Question 6: Who is responsible for obtaining the EPC?

If you do not already have an EPC then the investor will probably arrange for an assessor to visit, carry out an EPC survey and pay for the certificate. The EPC for your property must be less than 24 months old when you make your DRHI application and you must install loft and/or cavity wall insulation if it is recommended in your EPC[3] before you apply to the DRHI. The EPC belongs to you; you should receive this before you sign any AoR contract.

Question 7: Do I need any official planning permission or consent to install a renewable heating system?

Your investor must inform you if any permission such as building control or planning consent is necessary. If so, your investor will inform you if you need to obtain this or if they will organise this on your behalf. We recommend that you also do your own independent research to verify what the investor is telling you.

[3] There are some exceptions to this rule. See this link for more detail: https://www.ofgem.gov.uk/publications-and-updates/evidence-insulation-exemption

Question 8: Will I need to organise any preparatory work before the installation takes place?

You may need to carry out some preparatory work before the installation can proceed. You may need to employ someone to do this work for you. If this is needed, the investor must tell you what is needed in writing. The work will need to be completed before the installation is due to start.

Question 9: When will the installation take place?

The investor should give you a clear timetable for the installation in the proposal.

Question 10: What guarantees or warranties will I be offered?

The investor must provide you with all equipment guarantees provided by the manufacturers and must provide a two-year workmanship warranty and insure this. This applies regardless of whether the installation work was subcontracted. Should something go wrong through no fault of your own then it is the investor's responsibility to have it put right. For more on this see: *If something goes wrong.*

Question 11: What will be the arrangement for on-going maintenance?

As explained above (see: *What are my obligations under AoR?)*, you will need to ensure that the renewable heating system remains in good working order and is covered by appropriate insurance. You will be responsible for the day-to-day upkeep but there will be a separate agreement for maintenance services.

Your investor must ensure that you have a separate contract in place for maintenance services to make sure the renewable heating system remains in good working order. This contract must cover the whole period from installation to the end of the AoR contract period. Your investor can provide the maintenance services or you can choose to agree a maintenance contract with a different organisation; for example a nearby MCS installer. Remember, it is essential that the renewable heating system is maintained properly (for more on this see: *Your on-going obligations to Ofgem under the DRHI*).

Maintenance costs can be significant – especially if the personnel required to do the work need to travel some distance. Make sure you know what these on-going costs will be and, if you are responsible for the maintenance, factor those into your calculations.

Question 12: What about biomass fuel?

If you are having a biomass system installed then the investor must ensure you have a separate fuel supply contract. This must include essential information about the fuel quality, supply, delivery, frequency and lead times.

As with the maintenance contract, your investor may offer you a fuel supply contract or you can agree a contract with a different organisation such as a fuel supplier. Irrespective of who supplies the fuel, it must be approved as eligible under the DRHI scheme and listed on the

Biomass Sustainability List (BSL). See **this guidance** for more information on the DRHI Scheme and the BSL.

Question 13: What happens if I want to move house?

All Participants in the DRHI must inform Ofgem if they intend to move home. If you have an AoR contract then you must also tell the investor. You can sell your property and the renewable heating system at any time before the end of the 7-year DRHI payment period and you can transfer the AoR contract with the investor to the new property owner.

However, if the new property owner is not willing to continue the AoR contract and the system is revoked from the DRHI scheme then the DRHI payments to the investor will cease. Under these circumstances, you would have to pay the investor compensation for future DRHI payments that they will lose as a result. You may want to consider this point carefully before signing a contract.

Question 14: Can I cancel if I have second thoughts?

You have the right to cancel your contract, without penalty within a certain timeframe, under the law and under the Renewable Energy Consumer Code.

On-premises contracts

If you sign the contract in your own time without a sales representative, this will be classed as an 'on-premises contract'. You have a Cancellation Period of 14 days during which you may cancel the contract without penalty. If you cancel during the cancellation period then the investor must return any deposit you have paid in full. Please note:

- If you cancel after the 14-day period then the investor may have to charge you for any actual costs incurred up to the point of cancellation.
- If you want the installation work to start before the end of the cancellation period then you must ask for this in writing. If you later decided to cancel within the 14-day cancellation period then you may have to pay reasonable charges for costs incurred up to the date the cancellation is made.
- If the system has been fully installed, then your right to cancel falls away.

Off-premises contracts

If you sign the contract in your own home in the presence of the investor, or the investor's sales agent, then this is known as an 'off-premises' contract. They are described as 'off-premises' contracts because they are made away from the seller's normal business premises.

You can cancel an off-premises contract for renewable heating at any time during the 'cancellation period' which starts as soon as you sign the contract and ends 14 days after the last

equipment part relating to the contract is delivered to you. These rights also apply to 'distance contracts' – sales made exclusively by distance such as via the internet or by mail order.

To exercise the right to cancel, you must inform the investor using a clear statement (for example, a letter sent by post, fax or e-mail). You can use the cancellation form that the investor should provide, but this is not obligatory. If you cancel within the cancellation period then the investor must reimburse to you for any payments you have made. However, if you cancel after delivery of all or some of the goods then you may need to pay for the goods to be returned.

Your investor may ask for your 'express permission' to start the installation work before the end of the cancellation period. If this occurs then you must give permission for this in writing. You can still cancel the contract within the cancellation period but you will have to pay reasonable charges for goods and services supplied up to the date that you cancel and for making good your property.

Question 15: What can I do if something goes wrong?

Your AoR contract will set out a clear complaints process. If you wish to make a complaint, your first step should be to raise the matter in writing with your investor. Under RECC, the investor must respond to your complaint within 10 working days.

If you have been left without heating or hot water as a result of the situation that led to the complaint then the investor must arrange for the heating system to be inspected within 24 hours of being notified about the complaint. If the system is not functioning, you must notify Ofgem within 28 days of becoming aware of that fact.

The investor must try to resolve the problem as speedily and as effectively as possible. However, if you are not satisfied with the Investor's response, you can register your complaint with RECC. If the complaint relates to the workmanship, performance, the functioning of the heating system or any other technical issue then RECC will notify the relevant MCS-certified installer as well as the installer's MCS Certification Body. The MCS Certification Body will investigate the complaint and provide an independent technical report if needed. If the complaint is still not resolved within the required timescales, you can refer the complaint back to RECC.

The first stage in RECC's dispute resolution process is to offer both sides access to mediation. Case workers will seek to broker a mutually-acceptable resolution to the complaint with a certain timescale. In the event that the two sides cannot agree on a resolution to the complaint within the required timescales, you can refer your complaint to the Independent Arbitration Service run on RECC's behalf by the Centre for Effective Dispute Resolution (CEDR). Investors who are members of RECC have undertaken to co-operate with this process. Once a homeowner refers a dispute to the independent Arbitration service, CEDR will appoint an independent arbitrator from the panel it maintains for this purpose. If you have an independent expert

report, the arbitrator will consider this along with the other evidence you provide. Arbitration awards are legally binding and can be enforced in court.

Alternatively, you can choose to deal with the matter by taking your own legal action, for example by using the small claims procedure.

Getting advice

You can get detailed information about the AoR scheme and how it is organised from Ofgem's guidance: Essential Guide to Assignment of Rights.

Please be aware that Ofgem recommends that, before you enter into any AoR contract, you obtain independent legal advice or other expert opinion.

The technical advice and support you can get varies depending on where you live:

- In England you can use the Energy Saving Trust website for impartial information. You may be able to access advice tailored for your property but this may depend on where you live.
- AoR is not available in Northern Ireland. Instead, you can check the Energy Wise website for more information about alternative funding schemes. See Energy Saving Grants.
- In Scotland you should contact Home Energy Scotland which offers free home visits and consultations. Interest-free loans for renewable heating are also available.
- In Wales you can use the Nest Scheme which offers free and impartial energy advice and, if you are eligible, offers access to free home energy improvements.
- Ofgem lists a range of other sources you can use for technical help and support.

You can get further advice, before or after signing a contract, by contacting the RECC.

If you have not yet signed a contract with an investor but you would like legal advice or support then see this page for links to a range of organisations that may be able to help.