

Fact Sheet on the proposed changes to Solar PV Feed-in-Tariff rates

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Introduction

The UK Government is proposing to reduce Feed-in Tariffs (FITs) for new solar photovoltaic (PV) installations as part of their comprehensive review consultation. See www.decc.gov.uk/fits

If you install solar PV and your FITs application is received by your FIT supplier (also known as FIT Licensee) on or after 8 December 2011, you could be affected by the proposals.

Please note that these proposals are currently under consultation and are therefore not final.

However, we recommend customers should use the figures in the consultation if they are planning to install after 8 December 2011.

Only PV systems are covered by the UK Government's current FITs consultation. Other FIT-eligible technologies will be considered as part of the second phase of the comprehensive review due to be published shortly.

Summary of proposals

The UK Government proposals which affect householders most are:

- A reduced rate of **21p/kWh** for solar PV installations <4kW - tariffs will be introduced from 1 April 2012 and will affect all installations with an eligibility date on or after 8 December 2011. See definition of eligibility date below. This tariff rate is designed to provide householders with a **rate of return of around 4%**.
- New domestic energy efficiency requirements - from 1 April 2012, domestic installations must be accompanied by an Energy Performance Certificate (EPC) with a level C or above/which has completed all 'Green Deal' measures. Where a domestic property does not meet these energy efficiency requirements, the Solar PV installation may receive a lower tariff.

The table below compares typical income and savings made for an average sized solar PV system in the UK along with simple payback period (cost divided by combined income and savings)

FIT Rates	Total annual earnings and savings with a 2.9kW system	Simple payback (years)
Current 43.3p/kWh	£ 1,190	10
Proposed 21p/kWh	£ 640	18



- 2.9kWp system, install cost of £11,500
- Total earnings and savings include income from the generation tariff, export tariff on 50% of total generation and up to 25% of generation used on site.
- Simple payback will depend on capital cost so the simple payback periods may vary depending on quotes received. Cost of solar PV has come down significantly over the years so we would expect the simple payback period to come down gradually.
- Annual generation has been calculated as 853kWh/kWp using the Energy Saving Trust Solar Energy Calculator (see below) using the postcode SW1A 0AA (Westminster Palace)

Household advice and tools (new solar calculator)

The Energy Saving Trust has developed a Solar Energy Calculator which includes the newly proposed rates. This calculator will allow householders to see how much they could generate and earn both before and after the proposed changes.

See: www.energysavingtrust.org.uk/solarenergycalculator

Information on solar PV is also contained here:

<http://www.energysavingtrust.org.uk/Generate-your-own-energy/Solar-PV-electricity-panels>

Householders can also see what other renewables technologies may be suitable by using the Home Energy Generation tool.

See: www.energysavingtrust.org.uk/renewableselector/start

For free independent and impartial advice, householders can also speak to one of our advisers over the phone. Simply call **0800 512 012**

Frequently Asked Questions

1. How will the proposals affect me?

The proposals could affect anyone who is considering installing solar PV or has installed solar PV but has not yet applied for FITs. The table below summarises how the proposed new tariffs would apply:-

Eligibility date	Tariff Band/Rate
Before 8 December 2011	Higher tariff for full 25 years of support
8 December 2011 – 31 March 2012 inclusive	Higher tariff until 31 March 2012 Lower tariff from 1 April 2012 for the remainder of the 25 years support
1 April 2012 onwards	Lower tariff for full 25 years of support

Example

Mr Smith has PV installed on his house on 1 December 2011. His application for FITs is received by his electricity supplier on 15 December 2011. This means that Mr Smith would be affected by the UK Government's proposals. He would be eligible for the current tariffs from 15 December 2011 – the eligibility date - until 31 March 2012. From 1 April 2012 he would receive the lower tariff for the remainder of the 25 years FIT support.

The Solar Energy Calculator can provide a bespoke report for householders. See link above.
Energy Saving Trust FIT review fact sheet

2. What is the definition of eligibility date?

In order to be entitled to receive the higher FIT rates, your installation must have an eligibility date before 8 December 2011. To ensure an eligibility date that is before 8 December 2011 you must:

- Commission (system installed and signed off) your installation before 8 December 2011 – ensuring it meets all eligibility requirements including (but not exclusively) MCS accredited installer, MCS accredited product, approved generation meter.

And

- Submit an application for the FIT which
 - Is complete
 - Is received by your chosen FIT Licensee before 8 December 2011
 - Includes a complete and valid MCS certificate
 - Includes a generation meter reading taken within the last 5 working days of the date the application is received by the FIT Licensee
- You can find a list of FIT Licensees here:
<http://www.ofgem.gov.uk/SUSTAINABILITY/ENVIRONMENT/FITS/RFITLS/Pages/rfitls.aspx>
- We recommend you contact your chosen FIT Licensee as soon as possible to confirm the requirements above i.e. exactly what information they require from you and when they need to receive it by.

3. Why is the UK Government proposing to reduce FITs for solar PV?

- This year, the UK Government has been reviewing the FITs scheme in the comprehensive review process. FITs are a UK Government subsidy for small-scale low-carbon electricity generation. The costs of FITs are funded through energy bills.
- The first phase of the UK Governments' Comprehensive review has found that, since the scheme started, the global costs of PV panels have fallen significantly. This, combined with other factors, has meant that the returns available from PV are now far higher than originally intended. Originally the plan was to provide generators with a rate of return of around 5-8%. Actual returns were much higher (around 10%). UK Government is now proposing a rate of return of 4%.

4. I was told the tariffs were guaranteed up until 31 March 2012. Why the change?

The UK Government said previously that "We've made clear that tariffs will remain unchanged until April 2012 unless the review indicates the need for greater urgency". It was a combination of the rapid rise in solar PV installations, rapid decrease in solar PV costs and the need to provide value for money which lead to this fast track review. UK Government also said that "The FITs scheme is paid for by energy consumers through their bills and has a fixed budget. The scheme's proving popular with households and we're continually monitoring the take up of the scheme to make sure that we stick to budget."

Further details on the "why" is contained above.

5. Why is the UK Government introducing different tariffs and why such a big difference?

According to the UK Government:

- Solar PV is the most dominant and most costly technology to fund through the FIT scheme.
- Emerging evidence shows that the capital costs of PV have fallen by around 30% since the introduction of the FITs scheme.
- The original planned degression (the rate at which tariffs come down in line with the rate at which capital costs of systems fall) after the second year was less than 9% - much less than cost reductions seen which were closer to 30%
- The returns available now are more than double what was intended leading to generators being overcompensated.
- Similar schemes operating in the EU have already announced reductions in tariffs for solar PV in the last year. For example, Germany, France, Spain, Italy and Belgium.
- A “do nothing now” option would minimise short-term industry disruption, but with no flexibility to increase the FITs spending envelope this would have severe budgetary risks and serious value for money concerns.
- It could also make it difficult to deliver the Spending Review commitments of improving the efficiency of the scheme by 10% (savings of £40m) in 2014/15 if they were left unchanged.

6. Do these tariffs mean that small scale schemes such as domestic installations will still be financially viable if they are under 4kW?

According to the UK Government:

- The FITs scheme was designed to deliver a rate of return (ROR) of 5-8% for well located installations.
- The new tariff of 21p is intended to deliver a 4% ROR for well located installations.
- A 4% (real, tax free) return for domestic PV is more appropriate bearing in mind how the investment market has changed since the FITs scheme was introduced.

7. Will the UK Government be increasing the export tariff to make it more worth my while and to compensate for the reduction in the FIT?

- The UK Government does not plan to change the export tariff from its current level during this review.
- However, the FITs scheme will be subject to periodic reviews which will consider all aspects of the FITs scheme, including tariffs levels, degression rates and methods and make changes if necessary. The second stage of the Comprehensive review, which will be published shortly, will provide more detail on these aspects.

8. When will tariff changes become effective?

- Subject to Parliamentary scrutiny as required by the Energy Act 2008, the revised tariffs will take effect from 1st April 2012.
- But will affect all those with an eligibility date on or after 8 December 2011.

9. What are the UK Government proposing on energy efficiency?

- The UK Government wants to ensure that PV is considered as part of a whole house approach which prioritises energy efficiency.
- For eligibility dates falling on or after 1 April 2012, the UK Government propose that eligibility for the higher rate of 21p/kWh would be conditional on the dwelling meeting a specified minimum energy efficiency requirement.

10. What EPC rating is the UK Government proposing and how will owner occupiers bring their houses up to that level?

- The UK Government are proposing that the owner or occupier should bring the property up to an EPC rating of level C or above or undertake all the measures that are identified on the EPC as potentially financeable under the Green Deal (at no up-front cost)

EXISTING CUSTOMERS

11. I am an existing customer, how will the proposed changes affect me?

- The higher tariff will continue be paid to all existing participants.
- The Coalition UK Government has made a commitment **not to make retrospective changes** to tariffs. This would not be fair to those who had paid higher capital costs for solar PV during the early stages of the scheme and had made their investment decisions based on the support available.

CUSTOMERS CONSIDERING INSTALLING

12. I didn't know this change in tariffs was coming – the reference date of 8 December seems very soon. Why the rush?

- In view of continuing high levels of uptake at the current tariffs it makes sense to separate the comprehensive review into two phases with this particular phase focussing on an accelerated review of the tariffs for small-scale PV.
- In the overall context, the UK Government's assessment is that a 6 week period will allow many prospective generators who have made a financial commitment to complete their installations.

13. Since the announcement of the 8 December date, there has been a higher demand for solar panel installation. Is there capacity in industry to deliver this?

- It is inevitable that there will be a rush of new installations triggered by this consultation
- We believe that most of the current supply chain in most sectors has capacity to deliver, both in terms of manufacturing and installation.
- However, certain localities may well be affected more than others and it is likely that, after joining a waiting list, some will not get their installations completed in time.

14. I am considering having solar panels installed through my suppliers Rent-a-roof scheme. Will it now be worth it?

- Those on an existing Rent-a-roof scheme will not be affected by the change in tariffs.
- The proposed changes will alter the business models of Rent a Roof companies, who may choose to alter or withdraw their offer.
- Rent a Roof schemes will be treated in the same way - if the eligibility date falls on or after 8 December, the generator (who is normally the rent a roof company, not the homeowner) will receive the lower tariff because of the lower capital costs of solar panels since the scheme was first introduced and because of the cost to the scheme overall.

15. I've signed up to a Rent-a-roof scheme with the generator receiving a reduced FIT and some of the benefit coming to me. Will the benefits for me be reduced or the disadvantages [lower income] to the generator be passed onto me?

- A range of companies will install free solar panels at no cost to the householder who benefits through savings on their electricity bill.
- If the eligibility date falls on or after 8 December, the generator (the rent-a-roof company) will receive the lower tariff because of the lower capital costs of solar panels since the scheme was first introduced and because of the cost to the scheme overall.
- Legislation was put in place that allowed other players in the market to create their own schemes and to offer solar panels that did not belong to an individual but to the property. These schemes fall outside the FITs policy and any agreement is with the individual householder and the company installing the panels.

CONSUMER PROTECTION

16. There is a risk that installers will mis-sell/mislead to gain business without notifying consumers of the proposed changes?

- Any installer offering solar PV with a declared net capacity of 50kW or less that can earn money from the Feed-In Tariff scheme must be certified by the Microgeneration Certification Scheme (MCS) and be a member of REAL (Renewable Energy Assurance Limited).
- Members of the REAL Assurance Scheme have given a legal undertaking to comply with the REAL Assurance Consumer Code.
- This includes advertising materials they produce being legal, decent, honest and truthful. False or misleading information cannot be given about their company, the product, services or facilities being offered, nor can they make any statement that is likely to mislead the consumer in any way.

17. Installers may try and sell other products and services during their initial visit other than the one I want

- Face-to-face sales during any visit may only be conducted with the consumer's prior consent.
- Where customers have given consent, such sales activities should be conducted in a fair, transparent, appropriate and professional manner.

18. There is a risk that installers may rush work ahead of the 8 December date, possibly employing non-expert labour and leading to poor quality installations.

- Any installer offering solar PV with a declared net capacity of 50kW or less that can earn money from the Feed-In Tariff must be certified by the Microgeneration Certification Scheme (MCS) and be a member of REAL.
- Members of the REAL Assurance Scheme have given a legal undertaking to comply with the REAL Assurance Consumer Code, and MCS certificated installers must meet the MCS standards for products used and installation.
- This ensures that all work is carried out to robust standards, so consumers are protected from poor quality work and that the products supplied meet required standards.
- Customers will be protected by warranties covering against installation failure and poor workmanship.
- Complaints should be made to the installer in the first instance. If unresolved, the MCS Certification Body and/or REAL may also be approached.



19. I have paid my installer a deposit, but they have gone bankrupt/ cease to trade before delivering the goods.

- Installers offering systems that can earn FITs must be certified by MCS and be a member of REAL.
- The Deposit and Advance Payment Insurance (DAPI) scheme was designed to give consumers peace of mind by protecting the money they pay up front to the company.
- All REAL members (installers) are required to take part in the DAPI scheme unless they can demonstrate they have equivalent cover in place.
- If the scheme member falls into receivership/administration/bankruptcy before the contract is completed, then the consumer will be able to recover his/her money.

20. Can I cancel my contract with installer?

- Under the REAL Scheme, consumers are given seven working days to cancel the contract without penalty (the 'cooling-off period') which reflects a reasonable standard of practice.
- If works starts within the seven day period, consumers may be responsible for costs of goods and services already supplied provided they were given the requisite information before signing the contract.
- Conditions and costs that apply if the customer wants to cancel after the cooling-off period must be clearly set out in the contract.
- If cancelling, consumers are advised to do the following:
 - Contact the installer in writing or email, quoting the REAL code on cancellations as found on the REAL website: www.realassurance.org.uk/scheme/consumer-code#tag6.2
 - Give the installer a week to respond
 - If you do not receive a response or are not satisfied with the response then refer to the REAL website point F on how to complain- www.realassurance.org.uk/consumers/how-to-complain

21. My installer was slow in providing me with an MCS certificate and now I have missed the deadline for the higher tariff rate.

- The onus is in the consumer to proactively follow up the production of an MCS certificate by the installation company where this has not been received. Similarly, installers should provide a certificate in a timely manner. Consumers may use the complaint process as outlined on our web site: www.energysavingtrust.org.uk/Generate-your-own-energy/Finding-an-installer/Making-a-complaint

22. I want to complain about the standard of service or about aspects of the contract, who should I go to?

- In the first instance, consumers should speak to their installer and if this does not provide resolution, then the REAL Assurance scheme administrator.
- The REAL conciliation service can be used if the complaint cannot be amicably sorted out between the two parties with the aim to reach a non-legal solution in a reasonable timescale.
- Both consumer and installer have the right to ask for the matter to be referred to the independent arbitration service if the conciliator's advice is not acceptable.
- Should all of these routes fail, the courts will still be available as with any other product or service.

23. What if there is product failure/poor workmanship and the installer has gone bankrupt? Will the UK Government pay me back?

- No. Consumers benefit from the income they receive under FITs, and so like any other product, they should consider insuring the product outside of the warranty period.
- Product complaints can also be referred to the manufacturer and, if need be, the relevant MCS Certification body for the product.