

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 which closes on 23 December. 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 12 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 12 December 2011.

Only solar 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.

For the latest information on the review go to www.energysavingtrust.org.uk/FITsreview

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 12 December 2011. See definition of eligibility date below. This tariff rate is designed to provide householders with a **rate of return of around 4.5%**.
- **New domestic energy efficiency requirements - from 1 April 2012.** Where a domestic property does not meet these energy efficiency requirements, the Solar PV installation may receive the lower tariff of 9p/kWh. The UK Government is consulting on two alternative proposals:
 - (i) that the owner or occupier should bring the property up to an Energy Performance Certificate (EPC) rating of level C or above; or
 - (ii) that the owner or occupier of a building should undertake all the measures that are identified on an EPC as potentially eligible for Green Deal finance, with no additional finance required.

New tariff levels

Table below summarises all of the newly proposed FIT rates

Band (kW)	Current generation tariff (p/kWh)	Proposed generation tariff (p/kWh)
≤4kW (new build)	37.8	21.0
≤4kW (retrofit)	43.3	21.0
>4-10kW	37.8	16.8
>10-50kW	32.9	15.2
>50-100kW	19	12.9
>100-150kW	19	12.9
>150-250kW	15	12.9
>250kW-5MW	8.5	8.5
stand alone	8.5	8.5

The table below compares typical income and savings made for an average sized solar PV system in the UK based on our Solar Energy Calculator

FIT Rates	Total annual earnings and savings with a 2.9kW system	Simple payback (years)
Current 43.3p/kWh ('higher tariff')	£ 1,190	11
Proposed 21p/kWh ('lower tariff')	£ 640	20

Notes

- 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.
- Payback will depend on capital cost so the 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)

Further information 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 12 December 2011	Higher tariff for full 25 years of support
12 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 solar 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.

2. What is the definition of eligibility date?

- The eligibility date is the date from which an installation becomes eligible for FITs payments.
- For the vast majority of PV installations (all that have a declared net capacity of 50kW or less), this will be the date your FIT licensee (FIT energy supplier) receives a valid application for FITs. This will be after the date on which their PV system is installed.
- It is therefore essential that consumers ensure their application is sent to their FIT licensee promptly. For increased peace of mind consumers should consider sending applications via special delivery.
- 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 solar 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 4.5%.

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.”

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 depression (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 4.5% ROR for well located installations.
- A 4.5% (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, depression 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?

According to the UK Government:

- 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 12 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 12 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 12 December date, there has been a higher demand for solar panel installation. Is there capacity in industry to deliver this?

According to the UK Government:

- 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 12 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 12 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 12 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.
- If you have a complaint you should inform the installer in the first instance. If you are unable to resolve the complaint with the installer, you should follow the procedure set out here:

www.realassurance.org.uk/pdf/complaints-diagram.pdf

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 the REAL Assurance Scheme. The REAL Consumer Code requires members to protect all deposits and advanced payments by insuring them and by placing them in a third party client account.

One way for them to insure any deposits and advance payments is to use the Deposit and Advance Payment Insurance (DAPI) Scheme REAL has set up, though they can use another method if they can show that they have cover in place.. In this way, 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. To claim the consumer will need to have a copy of the insurance policy in their name. If they don't have one they will not be covered.

20. Can I cancel my contract with installer?

Under the Cancellation of Contracts made in a Consumer's Home or Place of Work Regulations 2008, consumers have seven days to cancel the contract without penalty (the cooling off period"). Under the REAL Code all members, including those not covered by the Regulations, are required to offer a cooling off period of seven working days which goes beyond the legislation.

Consumers are entitled to a full refund if they cancel outside the cooling off period if they agreed the contract on the basis of false or misleading information, if the technical survey advises any changes be made to their installation or if there is a significant change to their contract such as a delay in the installation date.

Consumers who cancel outside the cooling off period other than in these situations are still entitled to a refund, less any reasonable costs the installer has reasonably incurred. These must be itemised. Any conditions and costs that will apply if the customer wants to cancel after the cooling-off period must be clearly set out in the contract and these must comply with the Unfair Terms in Consumer Contracts Regulations 1999.

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 and provided they signed a statement to say that they understood the consequences.

If cancelling, consumers are advised to do the following:

Inform the installer in writing by sending a completed cancellation form by recorded delivery, or email the cancellation form ensuring that there is evidence of receipt. The installer must provide a cancellation form and details of who to contact in the company before you signed the contract.

The installer should acknowledge receipt of your cancellation within 7 days, and refund you any deposit within 14 days.



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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. 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. This is known as an extended warranty.
- Product complaints can also be referred to the manufacturer and, if need be, the relevant MCS Certification body for the product.