

Basic Outline Of The Feed-In Tariff Scheme

- Customers will need to use Microgeneration Certified Installers and Products in order to qualify for the feed in tariff – This is in line with grid connected installation requirements from many network operators.
- Homes, Communities, Businesses are all eligible
- The prices are set out and fixed for 20 years depending on the technology
- Each technology has it's own levels depending on the level of investment required and their share of the electricity market
- Grid connected installation AND Off-grid installations are both eligible
- Installations pre-April 2010 are eligible to apply for the feed-in tariff
- Income is tax free

Feed In Tariff structure

The following information is taken directly from the DECC web pages.

The GB FITs¹ will consist of two elements of payment, made to generators, and paid for, by licensed electricity suppliers. The largest suppliers (mandatory FITS suppliers) will be obliged to offer FITs, and smaller suppliers may participate if they wish. The first element is a **generation tariff** that differs by technology type and scale, and will be paid for every kilowatt hour (kWh) of electricity generated and metered by a generator. This generation tariff will be paid regardless of whether the electricity is used onsite or exported to the local electricity network.

The second element is an **export tariff** which will either be metered and paid as a guaranteed amount that generators are eligible for, or will, in the case of very small generation, be assumed to be a proportion of the generation in any period without the requirement of additional metering.

Therefore a FITs generator may use electricity generated onsite, thus avoiding having to purchase that electricity from their supplier, or may export their generation directly to the grid, or (in many cases) some combination of the two. For exported electricity, they can either opt to receive a guaranteed payment of 3p/kWh exported, or may opt out of the export tariff and sell their electricity on the open market.

Eligibility

The specified maximum capacity for the scheme will be set at 5 megawatts (MW). When the scheme is launched it will support new anaerobic digestion, hydro, solar photovoltaic (PV) and wind projects up to that 5MW limit, with differing generation tariffs proposed for different scales of each of those technologies. The scheme will also support the first 30,000 micro combined heat and power (mCHP) installations with an electrical capacity of 2 kilowatts (kW) or less, as a pilot programme. The scheme will not initially support solid and liquid biomass technologies, though these will continue to be supported under the Renewables Obligation at all scales.²

Wind, solar PV and hydro projects of 50kW or less, and microCHP projects supported through the pilot, will have to use Microgeneration Certification Scheme (MCS) eligible products installed by MCS accredited installers to be eligible for FITs support. This requirement does not apply to those microgenerators transferring to FITs having already gained accreditation under the RO. As part of the installation the MCS installer will lodge required information with the MCS and this will form the basis of their FITs registration. Any other technology and scale of project must register their installation through a process based on the existing Renewables Obligation process, known as the ROO-FIT process, in order to be eligible for FITs support.

Installations completed before the launch of the FITs scheme

Any installation completed before 15 July 2009 (the publication date of the Renewable Energy Strategy and the Consultation on Renewable Electricity Financial Incentives 2009) that had not applied for accreditation under the Renewables Obligation before this date will not be eligible for financial support through FITs.

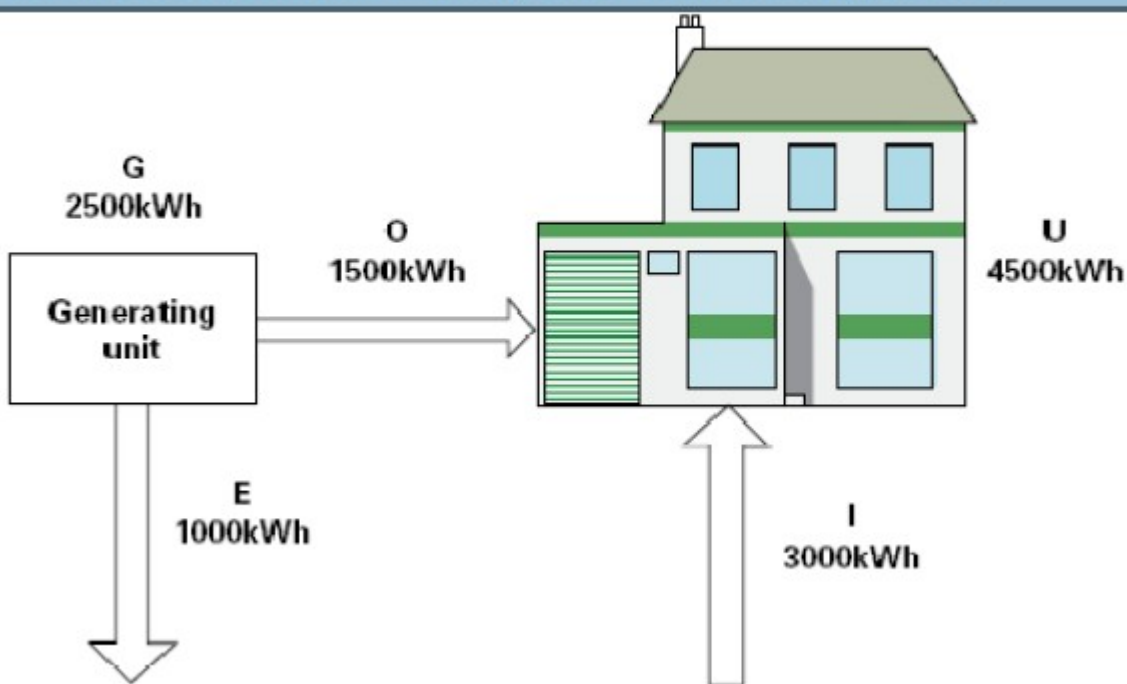
As of 1 April 2010, microgenerators (50kW capacity or less) in renewable technologies supported through FITs (AD, hydro, solar PV and wind) will not be able to access support through the RO. Installations with a capacity greater than 50kW, or installations of any capacity in technologies not covered by FITs, will still be eligible to apply for support through the Renewables Obligation.

Microgenerators that had applied for accreditation under the RO before 15 July 2009 will join the FITs scheme at an RO transfer tariff when the scheme launches, and will continue to receive support through FITs until 2027 (the same duration of support as they would have received under the RO). Microgenerators who applied for accreditation under the RO on or after 15 July 2009 and before 1 April 2010 will receive FITs at the appropriate tariff level for their scale and technology, and will receive support for 20 years (25 years for solar PV).

Installations greater than 50kW that are in technologies eligible for FITs and joined the RO after 15 July 2009 have a one-off opportunity of moving to FITs support. Those that installed before 15 July 2009 will not be eligible for FITs but will continue to be eligible for support through the RO.

Tariffs are set through consideration of technology costs and electricity generation expectations at different scales, and are set to deliver an approximate rate of return of 5-8% for well sited installations. Accordingly, the tariffs that are available for new installations will “degress” each year, where they reduce to reflect predicted technology cost reductions to ensure that new installations receive the same approximate rates of return as installations already supported through FITs. Once an installation has been allocated a generation tariff, that tariff remains fixed (though will alter with inflation as above) for the life of that installation or the life of the tariff, whichever is the shorter.

Figure 5:
Illustration of potential electricity flows for an on-site generator



G = GENERATION

U = USAGE

I = IMPORTED ELECTRICITY FROM THE NORMAL GRID

O = ELECTRICITY USED BY THE GENERATOR ON SITE

E = EXPORTED ELECTRICITY

So you can see the intention is to reward generation AND allow you to benefit from using the units AND allow you to sell any spare to export as well.

The following table shows the current proposed tariff levels, which breaks down by technology and also by size of installation. The reasons for breaking it down are to help all technologies recover their investment roughly in the same time and achieve a return of between 5-8% a year.

Table of generation tariffs to 2020

Technology	Scale	Tariff level for new installations in period (p/kWh) [NB tariffs will be inflated annually]											Tariff lifetime (years)	
		Scheme Year	1 1/4/10 – 31/3/11	2 to 31/3/12	3 to 31/3/13	4 to 31/3/14	5 to 31/3/15	6 to 31/3/16	7 to 31/3/17	8 to 31/3/18	9 to 31/3/19	10 to 31/3/20		11 to 31/3/21
Anaerobic digestion	≤500kW		11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	20
Anaerobic digestion	>500kW		9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	20
Hydro	≤15 kW		19.9	19.9	19.9	19.9	19.9	19.9	19.9	19.9	19.9	19.9	19.9	20
Hydro	>15-100 kW		17.8	17.8	17.8	17.8	17.8	17.8	17.8	17.8	17.8	17.8	17.8	20
Hydro	>100 kW-2 MW		11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	20
Hydro	>2 MW – 5 MW		4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	20
MicroCHP pilot*	≤2 kW*		10*	10*	10*	10*	10*	10*	10*	10*	10*	10*	10*	10
PV	≤4 kW (new build**)		36.1	36.1	33.0	30.2	27.6	25.1	22.9	20.8	19.0	17.2	15.7	25
PV	≤4 kW (retrofit**)		41.3	41.3	37.8	34.6	31.6	28.8	26.2	23.8	21.7	19.7	18.0	25
PV	>4-10 kW		36.1	36.1	33.0	30.2	27.6	25.1	22.9	20.8	19.0	17.2	15.7	25
PV	>10-100 kW		31.4	31.4	28.7	26.3	24.0	21.9	19.9	18.1	16.5	15.0	13.6	25
PV	>100kW-5MW		29.3	29.3	26.8	24.5	22.4	20.4	18.6	16.9	15.4	14.0	12.7	25
PV	Stand alone system**		29.3	29.3	26.8	24.5	22.4	20.4	18.6	16.9	15.4	14.0	12.7	25
Wind	≤1.5kW		34.5	34.5	32.6	30.8	29.1	27.5	26.0	24.6	23.2	21.9	20.7	20
Wind	>1.5-15kW		26.7	26.7	25.5	24.3	23.2	22.2	21.2	20.2	19.3	18.4	17.6	20
Wind	>15-100kW		24.1	24.1	23.0	21.9	20.9	20.0	19.1	18.2	17.4	16.6	15.9	20
Wind	>100-500kW		18.8	18.8	18.8	18.8	18.8	18.8	18.8	18.8	18.8	18.8	18.8	20
Wind	>500kW-1.5MW		9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.4	20
Wind	>1.5MW-5MW		4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	20
Existing microgenerators transferred from the RO			9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	to 2027

* Note the microCHP pilot will support up to 30,000 installations with a review to start when the 12,000th installation has occurred

** "Retrofit" means installed on a building which is already occupied ; "New Build" means where installed on a new building before first occupation ; "Stand-alone" means not attached to a building and not wired to provide electricity to an occupied building

Example

6KW Wind Turbine Installed Cost:	£22,000	
Estimated Generation:	7,500 units/annum	
Year 1 Feed In Tariff:	£2,002.50	(26.7p x 7,500)
Est 100% used on site:	£900	(12p x 7,500)
Total Income for year:	£2,902.50	

This example is simple and assumes you use all the units you generate – in reality you may use less, but these unused units can be sold for 3p as well.

Years 2 onwards will see a decline or degression in payments