

## **Feed In Tariffs Explained**

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A feed-in tariff system is designed as an incentive for energy producers to move away from conventional fossil fuels to renewable energy sources. It is government legislation, which guarantees a fixed, premium rate for renewable electricity fed into the national grid. The power companies are obliged by the government legislation to buy the renewable electricity, the additional costs of which are passed onto the customers.

The Scheme was introduced on 1st April 2010. From this date home and other property owners who install solar electric (PV) systems will be paid a premium for all of the electricity they generate and additional payments for electricity they do not use locally and export to the grid.

- The feed-in tariff is set at a level dependant on size
- There will be an additional payment of 3p for the units exported to the grid
- The payments are guaranteed by Government legislation for 25 years
- The payments are index linked and will rise with Retail Price Index inflation
- For domestic properties the revenue is tax exempt
- For commercial buildings the investment can normally be depreciated under capital allowances, saving on tax payable

## Current Tariff levels for Solar PV

Retrofit under 4 kWp	Higher Rate	21.0p / kWh
Retrofit under 4 kWp	Medium Rate	16.8p / kWh
New build project under 4 kWp	Higher Rate	21.0p / kWh
New build project under 4 kWp	Medium Rate	16.8p / kWh
4 - 10 kWp	Higher Rate	16.8p / kWh
4 - 10 kWp	Medium Rate	13.4p / kWh
10-50 kWp	Higher Rate	15.2p / kWh
10-50 kWp	Medium Rate	12.2p / kWh
50 - 250kWp	Higher Rate	12.9p / kWh
50 - 250kWp	Medium Rate	10.3p / kWh
All the above bands	Lower Rate	09.0p / kWh
250kWp - 5mWp		08.9p / kWh
Up to 5mWp Stand alone		08.9p / kWh

## Solar system configuration

Where a system type is used to specify a tariff band, the following definitions apply:

- **"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
- If no type is specified, the tariffs apply to any installations that are not "Stand-alone"

## Higher, lower and medium' rates

Where these rates are shown, the '**higher rate**' prevails if neither of the following two conditions apply:

Energy efficiency

The '**lower rate**' is payable where:

- The system provides power to a building, and
  - The building does not have an EPC certificate showing its energy efficiency in bands A to D
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## Multiple ownership

The '**medium rate**' is payable where:

- The system owner has a total of 25 FIT-registered PV installations  
The medium rate is 80% of the higher rate (rounded to one tenth of a penny)
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All installations must be carried out by an MCS-approved installer, using MCS-approved products to qualify for the feed-in tariff. All accredited installations from July 2009 onwards will be eligible. The tariff is guaranteed for the next 25 years; the rate given in the first year of install will continue for the lifetime of the tariff.

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## How much money can an average system earn and save through Feed In Tariffs?

According to an independent review by the Energy Saving Trust a normal solar photovoltaic system of about 16 square metres of panels, that generates an average 2kWp, should earn the following amounts from a feed in tariff:

- £378 per year from the Feed in Tariff payment on all electricity produced.

- £126 per year on reduced energy bills from the use of free electricity.
- £28 from electricity sold back to the national grid instead of being used.

**This makes a total income and savings in excess of £500 per year.**

We are able to take full advantage of the feed in tariff opportunity as an MCS accredited installer.

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What photovoltaic solar systems qualify for feed in tariffs?

In order to be eligible for feed in tariffs your solar photovoltaic system must be:

- Installed by an installer approved by the Microgeneration Certification Scheme (MCS)
  - The solar panels must be approved by the MCS
  - The solar inverter must be approved by the MCS
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### **What do I have to do to get the Feed In Tariff after installation?**

Along with your solar photovoltaic system, Specialist Glass Systems will also install a meter to measure the amount of electricity generated by the solar installation. When the installation is completed, we will register you on the Feed In Tariff central database and you will be issued with a certificate to confirm your registration for the Feed In Tariff. You then simply have to send your certificate to your electricity provider to prove you are eligible to receive the Feed In Tariff payments. The Feed In Tariff payments are made directly to you by your energy provider in accordance with their payment terms.

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### **Feed In Tariffs are set to beat inflation**

Feed In Tariffs as well as the additional export tariff are set to

match movements in the Retail Price Index (RPI). RPI is a measure of the rate of inflation in the UK and covers all household costs on an average month by month basis. By linking the Feed In Tariff and the export tariff to RPI the payments will increase overtime in line with inflation.

The average rate of inflation within the UK over the last 20 years has been over 3% and this is significantly more than interest rates on many saving accounts.

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### **Feed In Tariffs are tax free**

Unlike interest on savings accounts all the payments and savings created by the Feed In Tariff are completely tax free.

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### **Should I wait a while until I get my Solar PV system?**

The Feed In Tariff is fixed for 25 years from when you register but the amount of the Feed In Tariff payment is set to reduce each year so that the early adopters are better rewarded. In order to secure the highest price for your Feed In Tariff payments we recommend you to act quickly.

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### **Summary of Feed In Tariffs**

- The UK Feed In Tariffs are the most substantial tariffs in the world.
- The energy you are paid to generate can be sold back to the national grid if you don't use the energy yourself.
- The energy you do use yourself is free and reduces your electricity bills by reducing your dependence on the national grid.
- All savings and income from Feed In Tariffs and your PV system are tax free, which could saves you tax of between 20 and 50%.
- Feed In Tariff payments are linked to RPI and will increase in line with inflation.
- Businesses can usually depreciate the cost of installation over time, creating a tax-efficient investment.