

## Feed-in Tariffs - the highlights

- Earn a regulated income from every kilowatt hour generated
- Tariff set by government - up to 41.3p/kWhr based on type and size
- Plus 3p bonus for power exported
- Last for 20 or 25 years
- Tariffs index-linked to RPI
- Most renewable electricity qualifies
- Household and business users
- All sizes up to 5,000 kW
- Comes into force April 2010
- New systems installed now will qualify

### What are the Feed-in Tariffs?

A nice easy question to start with! Basically the F I Tariffs (as we're calling them to save space – some people just say FITs) are payments made for every kilowatt-hour kWh of renewable electricity you generate. The level of the payment (the 'tariff') is laid down by the government, and varies for different renewable energy sources and at different scales - see the table below.

### What is renewable electricity?

It is power produced from a sustainable source such as solar, wind, or biomass. Electricity from fossil fuels like coal, oil and gas or from nuclear stations is not renewable.

### Are there any size limits?

Yes the F I Tariffs only apply for systems up to 5 megawatts. That's pretty big so will suit all household uses and most businesses, except for large factories.

### When do they start? Will my system qualify?

The F I Tariffs are due to come into force in April 2010. All eligible systems installed from then on will qualify. So will any new systems installed after **15th July 2009** (though they only get tariffs from April 2010). Systems installed before this date will qualify only if they are under 50 kilowatts and registered for the Renewables Obligation.

### Are there any other restrictions?

The main criteria are the type of renewable energy, size and timing as described above. Systems will also have to be installed to prescribed quality standards by accredited installers in order to qualify

### Why are they called 'feed-in' tariffs?

Good question! This sort of tariff was first introduced in Germany in the 1990's and it applied only to power which was **fed in** to the electricity grid. The tariffs in the UK apply to all the electricity the system produces, whether it is used on site or fed in to the grid, so it's actually a misnomer (they are really 'production tariffs').

### Is this the same as the Renewables Obligation?

No. The Renewables Obligation (RO) is a regulation which requires licensed electricity suppliers (the companies you buy your electricity from) to ensure that an increasing proportion of the energy they sell comes from renewable sources. The RO mainly supports larger scale centralised renewable generation such as landfill gas, hydropower and offshore wind-farms. The tariffs are intended for people and companies who install renewable generators mainly for their own use.

### Is this the same as Green Tariffs?

Not that either. Green tariffs are offered by some licensed electricity suppliers when they are selling power sourced entirely or mostly from renewables. Again this will come mainly from larger scale centralised stations as described above.

### Does this only apply to electricity? What about gas? What about heat?

The F I Tariffs apply only to electricity from low carbon sources. However a similar measure is being introduced in April 2011 to cover renewable heat and gas. This will be called the Renewable Heat Incentive.

### **Can systems claim the Feed-in Tariffs and the Renewables Obligation?**

No. Small systems will have to use the F I Tariffs and large systems above 5 megawatts can only use the RO. Systems between 50kW and 5MW get a one-off choice of [FITs or RO](#), but won't be able to claim both or to chop and change.

### **How much is paid for each kilowatt hour?**

The tariff levels for each type of renewable energy are shown on the table below. In addition there will be a payment for any power exported to the grid (see "*what if I produce more power than I need?*" below). The tariffs are paid based on the output of the system as measured by an electricity meter.

### **How long would I get this tariff for?**

The F I Tariffs will be paid for a period of 20 years from the date the system is first registered, except for solar photovoltaic systems where the period is 25 years. If the system doesn't last that long, of course it will stop producing kilowatt hours and no tariff will be paid.

### **Who pays for the Feed-in Tariffs?**

The system is administered by the official regulator Ofgem, and uses money from a levy on all electricity sales, collected and distributed by the licensed electricity suppliers. Therefore if you install a renewable energy system you get a double benefit:

- Your income from the Feed-in Tariff
- Because you are producing some of your own power, you will buy less electricity and therefore pay less for it (and so less levy)

Actually there's often a third benefit too see third question below.

### **So if it's not the Government paying, how can I be sure I'll get the tariffs?**

The F I Tariffs are being introduced under an Act of Parliament. The supply companies are obliged to raise the levy to pay for the tariffs, or they will lose their licences, so the tariffs are fully backed by law. You can arrange for an agent to collect the tariffs on your behalf .

### **If the tariffs are paid over 20 years how do I get the investment cost on day one?**

There will be many organisations willing to lend the capital investment needed to buy the system in the first place, because the tariffs provide an income stream from which the loan can be repaid. If the government's got its sums right, the tariffs will earn you more than enough to pay off the capital in this way, in addition to saving money on the energy you would otherwise have had to buy.

### **What if I produce more power than I need?**

Easy! You can 'export' the surplus back to the grid, and your electricity supplier will pay you for it – in addition to the tariff you get. So make sure you are as energy efficient as possible so you can maximise your exports. The export price will be set by the government and though probably lower than what you pay to import, it's still a good deal overall.

### **What if I don't produce as much power as I need?**

No problem. You'll remain connected to the grid, so you can 'import' what you need from there, as you do now. Most renewable systems will sometimes produce more than you need, sometimes less, so in practice you'll probably both import and export at different times.

### Eligible technologies and the Tariffs

| Energy source  | Scale                       | Tariff level (p/kWh) <sup>A</sup> for installations installed: |                   |                   | Tariff lifetime |
|--|-----------------------------|--|-------------------|-------------------|-----------------|
|  |                             | Apr 2010 - Mar 11  | Apr 2011 - Mar 12 | Apr 2012 - Mar 13 | Years           |
| AD <sup>B</sup>  | ≤500kW                      | 11.5   | 11.5              | 11.5              | 20              |
| AD <sup>B</sup>  | >500kW                      | 9.0  | 9.0               | 9.0               | 20              |
| Hydro  | ≤15 kW                      | 19.9   | 19.9              | 19.9              | 20              |
| Hydro  | >15 - 100kW                 | 17.8   | 17.8              | 17.8              | 20              |
| Hydro  | >100kW - 2MW                | 11.0   | 11.0              | 11.0              | 20              |
| Hydro  | >2kW - 5MW                  | 4.5  | 4.5               | 4.5               | 20              |
| Micro-CHP <sup>C</sup>                                     | <2 kW                       | 10.0   | 10.0              | 10.0              | 10              |
| Solar PV   | ≤4 kW new <sup>D</sup>      | 36.1   | 36.1              | 36.1              | 25              |
| Solar PV   | ≤4 kW retrofit <sup>D</sup> | 41.3   | 41.3              | 37.8              | 25              |
| Solar PV   | >4-10kW                     | 36.1   | 36.1              | 33.0              | 25              |
| Solar PV   | >10 - 100kW                 | 31.4   | 31.4              | 28.7              | 25              |
| Solar PV   | >100kW - 5MW                | 29.3   | 29.3              | 26.8              | 25              |
| Solar PV   | Standalone <sup>D</sup>     | 29.3   | 29.3              | 26.8              | 25              |
| Wind   | ≤1.5kW                      | 34.5   | 34.5              | 32.6              | 20              |
| Wind   | >1.5 - 15kW                 | 26.7   | 26.7              | 25.5              | 20              |
| Wind   | >15 - 100kW                 | 24.1   | 24.1              | 23.0              | 20              |
| Wind   | >100 - 500kW                | 18.8   | 18.8              | 18.8              | 20              |
| Wind   | >500kW - 1.5MW              | 9.4  | 9.4               | 9.4               | 20              |
| Wind   | >1.5MW - 5MW                | 4.5  | 4.5               | 4.5               | 20              |
| Existing systems transferred from the Renewable Obligation |                             | 9.0  | 9.0               | 9.0               | to 2027         |

Notes: A These tariffs are index-linked for inflation  
 B Anaerobic digestion  
 C This tariff is available only for 30,000 micro-CHP installations, subject to a review when 12,000 units have been installed  
 D See indicative definitions below

- 'New build' will apply to systems integrated into new buildings
- 'Retrofit' will apply to systems mounted to existing buildings
- 'Stand alone' relates to systems that are installed primarily to feed power into the grid, without much of the energy being used on-site