Feed In Tariff scheme (FIT)

By John Davies

What is the feed-in tariff?

The aim of FITs is to provide a simple system to incentivize small domestic and business renewables. The scheme was introduced by the Government in the Energy Act 2008 and has been running since April 2010.

The Scheme pays a tariff from an energy supplier, paid for by a levy on all bills, which varies according to the technology and the size of the installation, for every kWh generated.

It also pays a smaller additional tariff for each kWh exported into the grid.

Generators are paid the tariff for the lifetime of the scheme, which is index linked to the Retail Price Index. The tariff is payable for up to 25 years, and the tax-free payments are usually paid each quarter.

Payments through the mechanism are intended to replace the ROCs available through the Renewables Obligation for small-scale renewable energy generators and are based on a few key elements:

- The tariff is available only to renewable sources producing up to 5 MW power. (For scale; *A 2MW wind turbine is approx 400ft ht with 300ft dia rotor - as big as St Pauls*).
- Specific rates are set for different technologies and at different scales of installation for those technologies. Generators of renewable electricity larger than 5MW remain eligible to earn Renewables Obligation Certificates within the existing Renewables Obligation quota mechanism.
- To prevent companies from moving large scale (for example big wind) projects from the ROCs to the Feed-in Tariff programme, a number of anti-gaming provisions have been inserted in the policy design; this should avoid the breaking up of bigger projects into several small ones, to fit within the 5 MW energy size cap. *But there appears to be a loophole somewhere, as there is now a proliferation of adjacent applications, never more than 5MW each, all with different 'owners' but operated by the same company.*
- There are several other qualification requirements including: certification under the Microgeneration Certification Scheme and the REAL Code for systems up to 50kW; the use of specific metering standards; and systems being installed no earlier than July 2009. Energy efficiency requirements were added in March 2012 for buildings fitting PV systems under FITs.
- Starting from 2010, British providers of Wind Energy, Hydropower, Energy from Biomass and Anaerobic Digestion eligible for the FiT scheme are rewarded with a tariff rate guaranteed for the next 20 years - 25 years for Solar PV generators.
- The tariff made available to generators is subject to degression . That is, the tariff level available for new generators will decrease annually.(hence the rush for investors to get schemes in place ASAP) the rate of digression will vary by renewable energy technology. The price for individual renewable energy generating plants is fixed once the plant becomes operational.
- Costs of the programme is borne by all British electricity consumers proportionally : all consumers will bear an increase in their annual bill, thus allowing electricity utilities to buy renewable energy generated from green sources at above-market rates set by the government. As more renewable capacity becomes available the % charged to each bill will rise.

Having come under extreme political pressure, in Oct 2011 the coalition government suddenly announced that the FITs payment to the domestic solar PV sector would be

reduced from 43p to 21p /kW on Dec12th 2011. This was challenged in the high court & the government was forced to reinstate the 43p rate but only until march 2012, then it was reduced to 21p. A further reduction in Aug 2012 to 16p will be followed by a 3.5% reduction in Nov 2012. Domestic solar PV is the only renewables sector that has received such swinge'ing cuts. Further extreme political pressure in 2012 resulted in a 10% cut (some had called for 25%) in subsidies to big wind.

In 2010, the government had estimated that feed-in tariffs to support small-scale low-carbon generation would cost £8.6 billion** up to 2030 but produce carbon savings worth only £0.42 billion !!

So the cynic may ask; why are we giving the other £8.18 billion away ??

And why did they even start such a crazy system ??

** See pg 2 Impact Assessment of Feed-in Tariffs ….
http://www.decc.gov.uk/assets/decc/consultations/renewable%20electricity%20financial%20incentives/2710-final-ia-feed-in-tariffs-small-scale.pdf
More on FITS …..

www.parliament.uk/briefing-papers/SN0**6200**.pdf

http://www.decc.gov.uk/en/content/cms/meeting_energy/Renewable_ener/feedin_tariff/feedin_tariff.aspx

Current FIT tariffs….

http://www.fitariffs.co.uk/eligible/levels/