

25 April 2010

Feed in Tariff (Clean Energy Cashback)

On the 15th of July 2009 the UK Government announced illustrative **feed in tariffs** (also known as 'Clean Energy Cashback') for small wind turbines and photovoltaic solar panels. The rates have been finalised (see http://www.decc.gov.uk/en/content/cms/news/pn10_010/pn10_010.aspx) and are:

Size & nature of system	Payment / kWh generated
<4kWp New build	36.1p
<4kWp	41.3p
4 – 10kWp	36.1p
10 – 100kWp	31.4p

These tariffs replace the old grant and Renewable Obligation Certificate system, and are intended to be incentive enough for people to install renewable energy without grant funding. Payments are linked to inflation, and will begin on 1st April 2010 to continue for a period of 25 years. The FiT is subject to degression which will reduce the rate, but only for new installations – once you install the system the rate is set.

The FiT payments are linked to inflation, and a tax free source of income.

So for an example 2kWp system generating 1600kWh / year, you might expect;

1. 1600 x 41.3p = £661
2. 800 x 15p = £120
3. 800 x 3p = £24
- Total 1st year income = £805

Notes on the above;

1. FiT payment based on kWh recorded on the generation meter which we install.
2. Money saved on your usual bills. Assumes 50% of the power generated is used in the home (during sunny days), offsetting usual import cost of around 15p / kWh. Seen as a slowing down of your existing import meter.
3. Other 50% exported to the grid at minimum export price of 3p / kWh. Recorded on an export meter.

Payback – A 2kWp system would typically cost £10500 (including 5% VAT).

At a cost of £10500 and with a 1st year benefit of £805, this example system will pay for itself in 13 years. This ignores the effect of inflation and electricity price rises which will continually increase the value of the system.

The PV system might encourage a change in your patterns of use. It is better to use the power in the house when the sun is shining; eg time the washing machine to go on at 10, dishwasher on at 12 etc, so you save on expensive imported power, rather than export it for 3p.

For an overview of the various electricity companies please ask to see our document; "UK FEED IN TARIFF ARRANGEMENTS"

