1st February 2010 New Feed-in tariff announced

Here are some details of the feed-in tariffs for domestic renewable electricity generation announced by the government. These will apply from 1st April 2010.

The official press release is at http://www.decc.gov.uk/en/content/cms/news/pn10_010/pn10_010.aspx A table of the new tariffs is attached here:

To quote from the press release:

"From 1 April householders and communities who install low carbon electricity technology such as solar photovoltaic (pv) panels and wind turbines up to 5 megawatts will be paid for the electricity they generate, even if they use it themselves. The level of payment depends on the technology and is linked to inflation.

They will get a further payment for any electricity they feed into the grid. These payments will be in addition to benefiting from reduced bills as they reduce the need to buy electricity. The scheme will also apply to installations commissioned since July 2009 when the policy was announced.

A typical 2.5kW well sited solar pv installation could offer a homeowner a reward of up to £900 and save them £140 a year on their electricity bill."

A few points:

There will be a generation tariff (payment) for every unit of electricity generated whether it is used by the householder or exported to the grid. In addition there will an additional 3p/unit for every unit exported.

For retrofitted pv systems the rate will be 41.3p/unit

For small wind turbines the rate will be 34.5p/unit

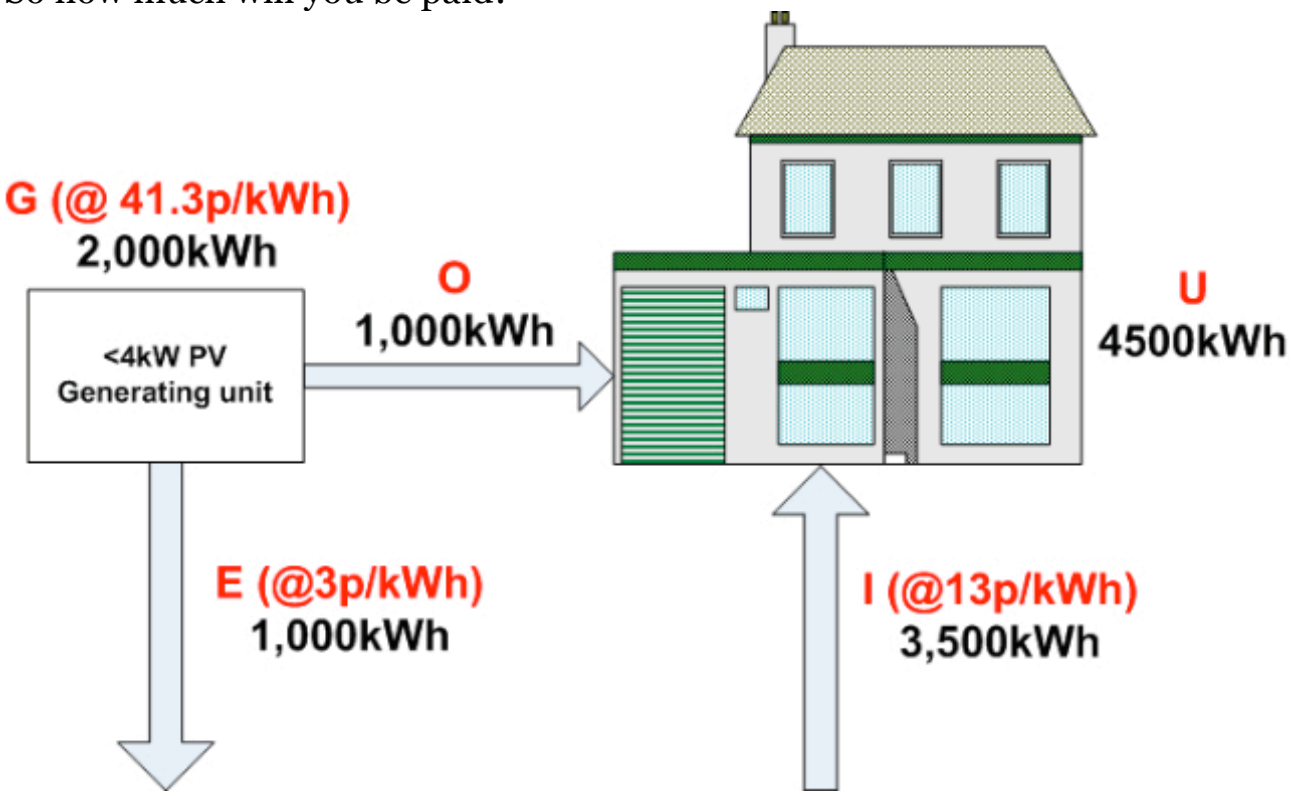
Any income received from the feed-in tariff will be tax free.

Tariffs will be paid for 25 years for pv (solar electric) systems and 20 years for wind.

Once started tariffs will be indexed to inflation.

The tariff rate for new installations will be reduced over time to reflect reducing costs of installation as the technologies become better developed. However once started the tariff will stay the same for 25 years index linked.

So how much will you be paid?



The above example is given in the Govt. announcement

You instal a 2.5kW solar panel on your house which generates 2000 units of electricity in a year. Of this half (1000 units) is exported when you are not using it so you use 1000 units yourself. This house uses 4500 units of electricity a year which means you have to buy 3500 units from your electricity supplier at the usual tariff (eg 13p/unit)

Your income is made up as follows:

Generation tariff = 2000 x 41.3p = £826

Export tariff = 1000 x 3p = £30

Saving on imported electricity = 1000 x 13p = £130

Total income + savings = £986

A unit this size will cost around £10,000 to instal so the return is around 10% less of course any interest on the borrowing required.

So it could be a good time to instal solar pv and wind on your house.

The government also started a consultation on a similar scheme for renewable heat systems to start in 2011. Householders will be paid a tariff depending on the amount of renewable heat they generate from solar panels or heat pumps. The payments will be based on an assessment of the amount of heat generated when the system is installed so will not rely on meters. The proposed rate is around 7.5p/kWh of heat which for the average house is likely to return about £1000/year.

So now may be a good time to think about installing a solar electric panel and next year for solar or heat pump heating sytems.