



INFORMATION SHEET FEED-IN TARIFFS

Making Money with Solar Photovoltaic (PV)

Overview

On the 1st April 2010 the government launched a new incentive - the "Feed In Tariff" whereby a guaranteed annual payment will be made to PV system owners for electricity generated and exported for 25 years.

As a result, installing a solar PV system offers you a fantastic investment opportunity, as well as enabling you to future-proof your electricity costs whilst also doing your bit to reduce carbon emissions.

The Opportunity

By installing a solar PV system on your home you will get:

- A government-backed, tax-free income stream for 25 years (the 'Generation Tariff')
- Additional income from electricity fed back to the National Grid (the 'Export Tariff')
- Savings in electricity payments from the clean, renewable electricity generated - i.e. you buy less electricity from your supplier ('Avoided Costs')
- Security against rising electricity prices
- A significant reduction in the amount of carbon your household produces
- A manufacturer's warranty on the power output of PV modules for 25 years (subject to terms).

The government has announced that the Feed In Tariff scheme will run for 25 years with guaranteed income levels over this period which will also rise with inflation. The life span of the PV system is however considerably longer than this – up to 40 years according to some manufacturers – so even when the tariff scheme ends you will carry on benefitting from free electricity for years to come.

The Tariffs

The tariff levels confirmed by the Department of Energy & Climate Change for each kilowatt hour (kWh) generated by solar PV systems vary according to the kilowatt peak (kWp) size of the system.

For installations after the 12th December 2011 the 'Feed In Tariff' rates for solar PV are as follows:

System Size	FIT rate for installations from 12 th December 2011.
4kWp or less (new build)	21.0p
4kWp or less (retrofit)	21.0p
4kWp to 10kWp	16.8p
10kWp to 50kWp	15.2p
50kWp to 250kWp	12.9p
Standalone system (i.e. not grid connected)	8.5p

Making Money with Solar PV (continued)

Estimated Income and Energy Savings from typical PV Systems

The table below provides an illustration of the estimated combined income and savings that you could expect to benefit from based on the retrofit installation of three example sizes of PV systems: 1.44kWp, 2.4kWp and 3.84kWp. Please note alternative system sizes are available and can be offered based on a specific property requirement.

	1.44kWp System (estimated annual output of 1,236.1kWh)* ¹	2.4kWp System (estimated annual output of 2,060.2kWh)* ¹	3.84kWp System (estimated annual output of 3,296.3kWh)* ¹
Average Generation Tariff payment * ³ (at 21.0p/kWh)	£259.58 (1,236.1 x 21.0p)	£432.63 (2,060.2 x 21.0p)	£692.21 (3,296.3 x 21.0p)
Average Export Tariff payment * ⁴ (at 3.1p/kWh)	£19.16 (618.1 x 3.1p)	£31.93 (1,030.1 x 3.1p)	£51.09 (1,648.2 x 3.1p)
Average Avoided Costs * ⁵ (based on standard electricity tariff of 13p/kWh)	£80.35 (618.1 x 13p)	£133.91 (1,030.1 x 13p)	£214.26 (1,648.2 x 13p)
Total annual income and savings	<u>£359.09</u>	<u>£598.48</u>	<u>£957.56</u>
Estimated net profit after 25 years (i.e. combined income and savings from electricity generated*⁵ minus Cost of system)	<u>£10,500.00</u>	<u>£19,100.00</u>	<u>£32,000.00</u>
The above estimated calculations will provide the system owner with a typical return on investment by year 9-11 at rate of between 7-9%. Please check and advise suitability prior to installation.			

The Small Print

The information provided in the table above is indicative only and is subject to change depending on fluctuations in electricity prices and as arrangements for Feed In Tariffs reviewed and adjusted. Filsol is not a financial services company and we would recommend that if you wish to compare solar PV as an investment or security you should consult an IFA or other relevant professional.

Notes:

[1] The performance for the illustrated examples are based on the government's standard assessment procedure (SAP) calculation. This assumes a south facing pitch of 30-40 degrees with no shading.

[2] System costs shown are a guide only and will vary according to the particular requirements of individual properties.

[3] The Generation Tariff has been set at 21.0p/kWh for systems of less than 4kWp installed after 12th December 2011. An additional payment of 3.1p/kWh will also be made for electricity which is fed into the national grid.

[4] Export Tariff and Avoided Cost calculations are calculated on 50% of the PV-generated electricity being consumed within the house and the other 50% being fed back into the national grid.

[5] Savings resulting from Avoided Costs are calculated using a standard electricity tariff of 13p/kWh. Electricity prices vary and you should factor in your current energy tariff in order to get a more accurate picture of the savings you can expect to make. Note that the calculations here allow for an electricity price rise of 5% per annum over the next 25 years.