

The End of Solar?

DECC is proposing to introduce further restrictions to the Feed-in Tariff arrangements for solar PV. Although the changes won't become law until some time in the first quarter of 2012, they will be substantially effective from 12 December this year.

This is not, DECC insists, acting retrospectively. Perhaps, but it will be interesting to see what those seeking judicial review want to say.

There are three main changes to be made to the arrangements.

First the FIT payment for all levels of solar PV will be reduced, some by half - and some of the reductions made in August are to be further reduced.

Second the reduced FIT payments are to be further reduced for multi-installation schemes. Owners of multi installations will get only (around about) 80% of the new, reduced FIT payment for each scheme.

Third schemes on buildings or supplying electricity to buildings adjacent to them (e.g., field schemes supplying a farm) will receive a FIT payment of only 9p/kWh unless the building itself satisfies some yet-to-be-determined energy efficiency criterion.

Is the government intent on ending solar PV? The price changes are aggregated and set out below.

Tariff Band	Now	New Rate	Multi-Owned Rate
4kW new	37.8	21.0	16.8
4kW retrofit	43.3	21.0	16.8
4-10kW	37.8	16.8	13.4
10-50kW	32.9	15.2	12.2
50-100kW	19	12.9	10.3
100-250kW	19	12.9	10.3
150-250	15	12.9	10.3
250kW-5MW	8.5	8.5	8.5
Stand alone	8.5	8.5	8.5

Why DECC is doing this is well known—it has a budget and the take-up of solar has been so enthusiastic the budget is threatened.

DECC adds defiantly that solar costs have fallen and the reduced FIT payments are enough to provide a reasonable return on investment. Is that so?

An indication of the shakiness of this reasoning is DECC's admission that it assumes 50% of electricity generated by all schemes (barring standalones) is exported. It now wonders if that is so. How can it not know and yet have a clear view about returns? Exports are a key component in calculating returns.

DECC also assumes that a return on investment of 4.5% will suffice. One wonders what it is meant to suffice for—and for whom. Is it meant to be the return to be expected by an investor on the open market? Surely not: funds demanding that low rate of return would have been inundated. Is it expected that those householders to which, DECC claims, this scheme is directed would—*could*—raise the funds to invest in these installations? And if so where does the grounding for any such expectation come from?

DECC has got its figures horribly and messily wrong. It misunderstood the impact of the scheme, despite evidence of its operation across the continent. So it cut the FIT.

It then, if we are to believe it, *forgot* to deal with the extension rules, so rushed through further changes.

The new changes, DECC assures us, will put solar investment on a proper footing. If it had a grip on its figures we might believe it, however reluctantly. But if it is wrong? If it is as wrong as the industry claims, the end of solar is a real possibility.

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