

The logo for the Green Energy Centre, featuring a green globe with a green arrow pointing right, followed by the words "Green Energy Centre" in a bold, green, sans-serif font.

The Solar PV Incentives

The Government has published proposals to provide you with a premium for electricity you generate from a solar PV (photovoltaic) system on your property. The incentive – known as a tariff (also being branded as the Clean Energy Cashback scheme) – is proposed to last for 25 years and is expected to come into effect in April 2010.

Until now, home owners have been able to apply for a grant to install solar photovoltaics. But for a limited time, the Government has promised that you will be able to receive the grant *and* be eligible for the tariff from April next year. If you have ever considered installing a PV system, this is the time to act.

What's the opportunity?

By installing a solar PV system on your roof between now and April 2010 you will get a maximum payback of 10 years. The current Government proposals entitle you to:

- A grant of up to £2.5k
- A Government-backed income stream for at least 20 years (a generation tariff)
- Savings in electricity payments from the clean, renewable electricity you generate
- Income from electricity you sell (an export tariff)
- A secure investment that is not subject to any recessionary fluctuations
- A hedge against rising electricity prices
- A great sense of satisfaction, knowing you are doing your bit to cut carbon!

The Government's proposal is in the form of a consultation paper and there is still much to be firmed up before the tariffs are expected to come into effect. What's not up for debate is this: if you install now you will be eligible for the grant AND you can receive the tariff come the start date of the new scheme.

Government's current proposals and tariff structure example:

Let's say you buy and install a 2.5kW PV system, which would normally cost around £12,500 at today's prices

The Government grant, available until April, is worth £2,500

So your system will only cost £10,000 with the grant.

Installed 2.5kW PV system	£12,500
The Government grant	-£2,500
System cost	£10,000

Contd.

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A 2.5kW PV system will generate about 2,125 units (kilowatt hours (kWh) of electricity per year and the generation tariff is proposed at 36.5p per unit.

As well as receiving the generation tariff for every one of those units, you'll typically use about half of that in your house, and export the rest to the grid, resulting in a payment for the exported units at 5p/unit. And, if you use half the electricity that is generated, you save buying regular electricity at 13p/kWh

Income from generation tariff (2125 x 36.5p)	£775
Income from electricity sales (1062 x 5p)	£53
Savings on avoided electricity purchases (1062 x 13p)	£138
Total annual income + savings	£966

On your payment of £10,000 you could get a payback of approximately 10 years. The Internal rate of Return (IRR) is approximately 7.3% so your money is working harder than being in a bank account (September 2009). The payback will be even faster if electricity costs increase rather than stay static. There may also be a relative benefit to your house price.

The amount might vary a little each year depending on electricity prices and the sun, but that's a pretty healthy return. Over the 20 years for which it is proposed the tariff is guaranteed, we estimate you'd earn nearly £20,000 based on this example, which will give you a modest profit on your original outlay. And the great thing about solar PV is its life span is even longer than the tariff, so you would carry on benefiting from free electricity for years to come!

Should you consider this solar PV, or any renewable for that matter, being done alongside other extension work it is important to have it billed separately as the VAT on renewable expenditure is 5% whereas general extension work is at 15% VAT. Only certain companies can allow you to access these grants and revenue.

Why not talk it through with us.

In the first instance please contact Lorcan Anglin or Duncan Thomson.