Feed-in Tariff heading for zero degression;

as installations slump

Sluggish solar energy sales in the quarter to October means that the next tariff cuts are likely to be zero, according to industry experts Feed-In Tariffs Ltd[1].

The complex mechanism recently introduced by the government calculates so-called degression – the regular reductions in tariffs – based on the level of installations over a three-month period[2]. The government has set a range within which degression would be at the standard level of 3½% per quarter. If installations exceed this range, more swingeing reductions of 7% up to 28% would apply. Provisional figures for August to October[3], however, fall below the government's target range in all three tariff bands. If these figures are confirmed, the degression adjustment will be zero.

"These disappointing installation figures show how badly customers have lost confidence in the feed in tariffs", says industry expert Philip Wolfe. "Solar system costs have fallen so fast that they are still economic at current tariff levels. But people are just baffled by the changes and increasing complexity of the new regulations". Domestic installations for the three-month period totalled about 70MW[3]; a level that was exceeded in a single week this time last year.

Since the Feed-in Tariffs were introduced 2½ years ago, there have been five major consultations and reviews; and tariffs have been cut on four different occasions. The original vision was that the FITs would be straightforward, predictable and stable; making it suitable for the average consumer. But the increasing plethora of different tariff bands and the complex degression mechanism have made it ever less comprehensible. "We used to be able to describe it in four simple web-pages" says Wolfe; "it has now exploded to more than 60 pages!"

Large scale solar installers have also voted with their feet, abandoning the FITs for the – what used to be considered more complex – Renewables Obligation, to try to make up lost ground. "Solar parks have been racing ahead in countries like Germany, the USA, France and India", says Philip Wolfe, whose book on utility-scale solar[4] was published last month, "but we are not too late to get back into the league table[5]."

DECC is due to confirm the official deployment and degression figures within the next few weeks. If they prove to be as disappointing as these projections indicate, government may have to rethink whether they have made the whole thing too difficult. However, the results may be indicative that the Treasury is succeeding in its rumoured campaign to ditch renewables in favour of a second 'dash for gas'. "Let's hope it's not because DECC has decided to bring the predictability and stability we asked for, by throttling the solar industry back to an almost comatose level of activity" says Wolfe.

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Notes for editors:

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[1] Feed-In Tariffs Ltd maintains an information website on the scheme: www.FITariffs.co.uk.

[2] The degression mechanism is explained at: http://www.fitariffs.co.uk/eligible/levels/degression/

[3] The provisional figures are taken from the MCS and ROO-FIT registrations used by DECC to publish the official quarterly figures. The indicative figures for the three bands are:

Deployment figures for PV systems	Indicative deployment for quarter Aug-Oct '12	Quarterly 'target' range (for 3.5% default degression)
'Household'; systems up to 10kW	73 MW	100 – 200 MW
'Community'; systems 10 to 50kW	22 MW	50 – 100 MW
'Industrial'; systems over 50kW	20 MW	50 – 100 MW

See details at: http://www.fitariffs.co.uk/eligible/levels/degression/triggers/#actual

[4] "Solar Photovoltaic Projects in the mainstream power market" was published by Routledge in October.

[5] The UK appeared in the top ten markets for solar power systems once only in 2011 after the initial introduction of the FITs.