

Fair deal feed-in tariffs

Checking the small print on solar PV offers

Solar PV panels are expensive. But with the feed-in tariffs now available, they can be an attractive investment. And some companies and groups are interested in helping you to take advantage of the opportunity. So you might be offered a solar panel for free, in exchange for the feed-in tariff income and possibly other payments.

Fair deal? Well, maybe - after all, the company or community group that has invested in the kit needs to recover its costs. And maybe you don't want the up-front cost or hassle involved in buying your own solar array.

But there's more to having a small electricity-generating station on the roof of your house than who pays and what they get in return. There are other issues to sort out - like insurance, maintenance and performance liabilities.

So before signing on the dotted line, you should know exactly what you're letting yourself in for. Here is a check-list of the issues to consider.



Key questions to ask anyone offering you a feed-in tariff deal on solar PV

- 1 Who's paying for the kit? Is that in full?
- 2 Who gets (a) the feed-in tariff, (b) the export tariff, (c) the 'free' electricity? Is the exported electricity going to be measured or 'deemed'?
- 3 Who owns the kit? And is that **all** of the kit – ie meter, wires inside the building etc – or just the kit on the roof and/or in the back yard?
- 4 Who pays for maintenance and repairs (eg if the DC/AC inverter fails after 8 years)?
- 5 Who's insuring the kit? Against what?
- 6 Who's liable if the installation does damage to my building, my electrics, my family, my neighbour's building, my neighbours?
- 7 Are you in effect **lending** me money to do this, either as a loan or a hire purchase deal? In which case, how long for? What is the AER – annual equivalent interest rate – on the money? Where is your consumer credit license? And, can I have 7 or 14 days cooling off (depending on whether the deal was done in person)?
- 8 What happens if I want to pay off the remaining costs early? Can I have the feed-in tariff re-assigned to me?
- 9 What happens if I move house and the new owners don't want to 'inherit' the deal?
- 10 Are you giving any performance guarantees for the kit? And what happens if it stops working and generating feed-in tariffs for you? Is that your risk?
- 11 Who pays for removing the kit and making good if (a) my roof needs repairing or (b) the kit is damaged beyond repair?
- 12 Are the installers and product registered with the Microgeneration Certification Scheme (MCS)? See www.microgenerationcertification.org
- 13 Who is responsible for addressing any planning issues or electricity distribution company notification requirements? Who pays any associated costs?
- 14 Do I need to let my mortgage company and/or buildings insurer know that this installation has taken place? Will I need their permission?

Warning

This information has not been reviewed by trained legal expertise so should be taken with a pinch of salt. It has been written very quickly by Simon Roberts at the Centre for Sustainable Energy because he was asked a question by someone about a 'rent-your-roof' deal and he couldn't find a list of questions to ask, in spite of lots of people having suggested they were about to produce one. Feedback and additions from a variety of very helpful people have now been included but this health warning still stands.

Background notes

The UK Government has introduced feed-in tariffs to encourage the installation of renewable energy systems like solar PV. The tariffs offer premium prices for the renewable electricity generated by the systems.

The feed-in tariffs have been set at a level which should enable anyone investing in the installation of renewable electricity generating equipment to make about 7-9% return on that investment over the presumed lifetime of the equipment, taking ongoing operating costs into account. This includes the 'income' from the feed-in tariff and the export tariff and the value of 'avoided electricity purchases' (i.e. the savings on the bill from using some of the generated electricity rather than buying it).

So if someone (eg a company) is offering to paying for the installation up front, they will certainly want the feed-in tariff paid to them – or 'assigned' to them (so that they get it paid to them directly) – for a reasonable period of time in order to recover their upfront cost and generate a return on their investment. They may also ask for the export tariff to be similarly assigned. And possibly either an upfront contribution to installation costs or agreement from the building occupier to buy (probably at a discount) the electricity generated by the equipment which they themselves use (i.e. the units not exported). As a general rule of thumb, the more you give away, the less fair the deal! But a deal with no upfront cost with just feed-in tariff assignment may be very reasonable (subject to the answers to all the other questions).

But the installation cost isn't the only cost associated with a PV panel. They may be *low* maintenance but they aren't *zero* maintenance. And some components can be expensive to replace if they fail (which they have been known to do). And the equipment needs to be insured (not least against the damage it could do if, for example, it fell off the roof). If these costs are not being carried by the 'offerer' of the deal, then paying them all the feed-in tariff might be too generous.



Panel games: before you rent out your place in the sun you should be very clear what the terms of the deal are.

The terms of the deal are important. If you own the equipment, they are lending you money and taking the feed-in-tariff as repayment. This is likely to be caught under the consumer credit act and therefore offer you various protections and rights to information (eg interest rates); they must have a consumer credit license. It must also provide for early repayment and describe what happens in the event of default (eg if equipment stops generating and therefore doesn't earn feed-in tariffs).

If they are offering the equipment on some sort of hire purchase or leasing type arrangement, the same applies, though these usually includes rights to return the equipment and may also have an additional payment at the end of the period to transfer ownership to the householder.

There is advice around suggesting that the equipment 'goes with the house' so that anyone buying the home will slot into whatever deal is set up. It is highly unlikely that this can be enforced (until such time as there is legislation which ties finance to buildings rather than people

Installing a PV panel on the roof of your home may be a material change to the property which needs to be notified (probably in advance) to your buildings insurer and, possibly, your mortgage company (depending on the terms of your mortgage). Maybe. If the equipment provider suggests it isn't necessary, you should ask for evidence as to why (or, more cynically, ask how they know the terms of your buildings insurance/mortgage).

All this said, not everyone is trying to rip you off - only some of them! It's just that some may be offering a deal which *they* haven't thought through which may invalidate the terms of your buildings insurance and create costs and liabilities for you which are unreasonable in the context of a generous feed-in tariff.

Note that these questions need to be answered by any community group looking to set up its own arrangements for local people (including the potential need for it to have a consumer credit license).

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