

FiTs and ROCs Explained



The two main financial support schemes for renewable energy installations are Renewable Obligation Certificates (ROCs) and Feed in Tariffs (FiTs). Feed in Tariffs are more suited to smaller scale installations up to 250kW and ROCs are aimed at the larger projects from 250kW.

ROCs Explained

ROCs form part of a trading scheme that enables you to receive payment for the electricity you produce. The scheme is open to anyone who owns a system that is 50kW in size or larger. A ROC is a certificate that is issued for every MWh of renewable electricity you generate from your on-site system.

The rate of ROCs varies between technologies, with roof-mounted solar receiving 1.7 ROCs per MWh and ground-mounted solar receiving 1.6 per MWh. In order to receive ROCs, you (the generator) must first be accredited by Ofgem & your rates will then be fixed for 20 years. You will also need to provide monthly meter readings from your Ofgem approved generation meter and an annual declaration.

What is the value of a ROC?

ROCs form part of a trading scheme by which electricity suppliers can purchase renewable electricity in order to meet targets set out in the government Renewables Obligation. Each ROC records the details of how the unit of electricity was produced, who produced it and who bought it.

A Power Purchase Agreement sets out a contract between the generator and a supplier to purchase the ROCs you earn. Alternatively ROCs can be traded at auction, where the ROC is sold to the highest bidder. Those suppliers that do not meet their Renewables



Obligation targets by presenting enough ROCs, are forced to pay an equivalent buy-out price to Ofgem.

- **ROCs auction** – the price of ROCs sold via the auction varies and auction administrators charge a fee for selling ROCs.
- **Buy-out** - the buy-out price is fixed for a 12 month period and RPI indexed. As of April 2015 the buy out price for ROCs will be £44.33 per ROC.
- Historically the auction price and buy-out price for ROCs have been roughly the same.

Recycle payment – each generator who presented ROCs receives a payment from the redistribution of the buy-out fund. This is known as the Recycle Payment and is driven by the percentage of Renewables Obligation targets met by presenting ROCs. The price is calculated annually after electricity suppliers have submitted ROCs and bought out their Renewables Obligation.

The math...

Until April 2012 the rate of ROCs for solar was 2 per MWh. Now there are two bands for solar – 1.7 ROCs for roof mounted systems and 1.6 ROCs for ground mounted, so what impact will the new rates have?

- Average ROC auction price for 2013/14 - £46.00
- Average price for 2 ROCs - £92.00
- Average price for 1.7 ROCs - £78.00
- Average price for 1.6 ROCs - £73.00

Whilst this is a significant reduction it is important to remember that the price for ROCs varies according to the market and increasingly stringent targets under the Renewables Obligation means that there will be demand for ROCs.



Feed in Tariffs Explained

The system for receiving payments via Feed in Tariffs is far simpler! Unlike the value of ROCs, which are determined per MWh, Feed in Tariffs (FiTs) are calculated per kWh. This makes them more suited to smaller renewable energy systems and only systems that are less than 5MW in size are eligible to receive FiTs.

FiTs also offer a guaranteed rate that is fixed for the next 20 years once you sign up and the rates are RPI linked. This makes it a lot easier to project the earnings of a system that is linked to Feed in Tariffs than ROCs, which can vary in price. The government is gradually reducing the rate for FiTs and it is anticipated that this payment scheme will be entirely phased out in the next four years. If you are interested in signing up for a scheme that is linked to FiTs then it is advisable to do so before the rates are reduced any further!

Following completion of your renewable energy system your installer should submit your FiT application so you can start earning as soon as possible. In order to receive payments a monthly meter reading must be submitted and some installers offer an automated meter reading service to save you having to do this manually your self. Once everything is set up you will receive a monthly payment for every kWh of electricity you generate from your on-site system.

In addition to the Feed in Tariff there are two other ways you can save / earn money from your renewable energy system. Any electricity you produce is your own to use for free. This means you can save money by not having to import it from the national grid. Any electricity you don't use can be sold back to the grid at a rate called the Export Tariff. Like Feed in Tariffs, Export Tariffs are RPI linked and guaranteed for the next 20 years.

How much will I earn?

Earn up to 15% ROI with a 5-7 year payback period Here is an example typical 50kWp system in York:



Investment Year 1

Subsidies (Feed in Tariff and / or Export Tariff)

Electricity purchase savings from the 'big six'



Total Revenue Year 25



Feed in Tariff rates

Size (kWp)	Rate from 1st Jan 2015 (kWh)	Rate from 1st Apr 2015 (kWh)
0-4	13.88p	13.39p
4-10	12.57p	12.13p
10-50	11.71p	11.71p
50-150	10.34p	9.98p
150-250	9.89p	9.89p
250-5MW	6.38p	6.16p
Stand alone	6.38p	6.16p

Feed in Tariff rates are currently reviewed every quarter. If a particular banding has not reached the target number of installations then the rate remains the same. However, if the rate for a band has not been reduced for more than two review periods then it will automatically be reduced in the third.

