



# Business

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## Business Feed in Tariff (FiT) Charges

Introduced on the 1st April 2010, The Feed in Tariff or FiT scheme is a levy charge imposed by the Government, to fund the Feed in Tariff. The Feed in Tariff was introduced as an incentive paid to businesses and property owners who generate on site renewable energy through small scale renewable electricity generation. This additional levy is collected from all energy consumers who are supplied by eligible FiT suppliers. Each supplier is allocated their share of the overall Feed in Tariff costs in proportion to their supply of market share.

The energy industry regulator Ofgem charges energy companies a levy and it is from this levy that the tariff payments are made. The cost of the levy is then passed on to energy consumers by the energy companies so in effect everyone who purchases energy pays for this tariff.

From the 1st April 2012 a FiT levy has been applied to electricity bills as a direct pass through cost. So some suppliers have applied these charges to the unit rates and they remain hidden on the customer's bill. Other suppliers were not even passing on these charges, and were accounting for any possible increases in FiT charges within fully inclusive energy contracts.

This would however probably include a price risk premium to accommodate for any dramatic increase over the life of the contract.

The downside to this solution is that some suppliers didn't calculate correctly how much the FiT would increase by, and have had to introduce back charging FiT charges to its customers, even after the initial energy supply contract has finished in some cases.

Because this a variable charge and is based on information provided by the Department of Energy and Climate Change (DECC) it is subject to change and will have to be subsequently reviewed and adjusted by suppliers.

Because of these on-going adjustments several suppliers have now decided to split the charges out and charge them on a pass through basis only and will be itemised as a separate line on invoices and labelled as the Feed in Tariff. Business customers need to pay very close attention to how the feed in tariff is included on any quotes, and how this is charged on your invoice. There are huge variations in how energy suppliers are billing for these charges:

Some suppliers are charging on a best estimate basis, and then carrying out reconciliation once the actual rates are known. Whilst others set a rate which may change going forward, but there are no backdated reconciliations.

Suppliers that take this 2nd option may have to charge a higher initial rate which includes a risk premium to cover any further increases in these charges. So an initial offer may appear more expensive initially when comparing offers against the 1st option.

But will have no nasty surprises if the FiT charge increases over the life of the contract, and with the indicative Feed in Tariff charge for the 2013 looking likely to be 0.18p/kWh, those customer with a large consumption could find a very significant reconciliation charge applied to there account.

