Financing PV in the commercial sector

A backstop tariff is designed to simplify financing PV facilities for commercial prosumers

Background

By 2030 100 % of Austria's electricity is to be generated from renewable sources of energy; here PV must play a major part. According to the Technology Roadmap for PV in Austria (2016), at least 9.7 GW of PV capacity must be in place by 2030, and at least 26.7 GW by 2050. For spatial planning reasons preference should be given to using impervious surfaces such as roofs and façades for PV.

Growing financial risk

Given the changes to be expected in the system of grants, how cost-effective PV facilities will be in future will increasingly depend on the internal consumption of occupants in the building in question (e.g. households or SMEs). In line with this the consumers' contingency risk will increase (in comparison with the existing situation, in which the Austrian state pays for electricity fed into the grid at a fixed tariff).

In the case of SMEs this contingency risk applies to the internal consumption expected terminating, e.g. if

- the commercial enterprise goes bankrupt,
- it relocates elsewhere, or
- a change in production leads to power consumption decreasing.

The increased risk will probably make it harder to finance PV facilities on SMEs' roofs. Given that it is urgently necessary to activate pretty well all the available roof surfaces, the question arises of how best to manage the contingency risk, particularly in the case of SMEs.

Introducing a backstop tariff as a financial instrument

To deal with this, the SEFIPA study group on financing PV has developed the strategy of a backstop tariff. The idea is for it to be possible, if the commercial enterprise's consumption of electricity decreases, for it to switch to feeding into the grid – as in Germany. The backstop tariff should be less than the standard tariff for green power, but more than the market rate paid by ÖMAG; in this way the PV facility operator's financial risk is cushioned.

The SEFIPA team's initial calculations and analyses reveal that introducing a mechanism of this kind could result in aggregate savings.

Benefits of introducing a backstop tariff:

- the cost to the public sector is less than for a subsidized tariff as per ÖSG
- the PV sector has a dependable framework for planning (order processing and employees)
- straightforward system of grants to keep project development costs down
- less administrative and supervisory effort for government
- PV expansion is greatly accelerated (projects are implemented that would otherwise be vitiated by SME contingency risk)
- there is more incentive to place PV facilities on roofs, so impervious surfaces are not expanded
- with PV facilities encouraged in urban areas, they suit existing grid arrangements
- the cost of power to SMEs goes down
- value and additional jobs are created in Austria (as against the case where electricity is imported)

Drawbacks of introducing a backstop tariff:

- there is some uncertainty about the actual costs of subsidy in practice, as the forecasts of cost are based on average values and actual costs may fluctuate from year to year, depending on the number of contingencies occurring

The backstop tariff strategy has been presented to PHOTOVOLTAIC AUSTRIA and is included in their plan 100.000 DÄCHER- UND SPEICHERPROGRAMM ALS BEITRAG ZU 100 % ERNEUERBAREM STROM (see https://www.pvaustria.at/konzept/ (in German)) under the heading "Anlagenfinanzierung mit Ausfallshaftung".

The Platform will be glad to provide further information on this subject:

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Responsibility for the Platform lies with ÖGUT (Austrian Society for Environment and Technology) and Energy Changes Projektentwicklung GmbH, who share the goal of developing pioneering facilities (financial instruments, regulatory measures and information campaigns) together with policymakers, so as to stimulate additional investment in sustainable energy systems in Austria. As part of this project a special crowd-investing platform for sustainable energy systems (www.crowd4energy.com) has been set up as a Horizon 2020 project; it was launched in February 2016, to run for three years.

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