

Italy Issues Fourth Conto Energia: New Feed-In Tariffs for Production of Photovoltaic Energy in 2011 – 2016

5 May 2011

On 5 May 2011, the Ministry for Economic Development published the strongly debated incentive system for the production of electricity by photovoltaic (PV) plants between June 2011 and December 2016. The so-called Fourth Conto Energia significantly reduces the feed-in tariffs provided by the previous Third Conto Energia and introduces overall expense budgets which shall be respected initially by access restrictions for large PV plants and, as of 2013, by flexible tariff reductions based on past installations.

Overview

The Fourth Conto Energia replaces the incentive system introduced by the Third Conto Energia only nine months ago, originally intended to provide the support system for photovoltaic (PV) plants between 2011 and 2013.

After the Italian Government realised that PV installations in Italy had grown exponentially and the expected cost of the Third Conto Energia, which is borne by consumers through an extra charge on the electricity bill, would have been unsustainable, the Government enacted in March 2011 Legislative Decree no 28/2011 (the so-called Renewables Decree), which imposed on the Ministry of Economic Development the immediate revision of the incentive system.

Like its predecessors, the Fourth Conto Energia provides for a differentiated incentive system, depending on the type and size of the PV system. Incentives have been significantly reduced compared to those provided under the Third Conto Energia. Specific expense budgets have been established for large PV plants for three intervals between June 2011 and December 2012, which shall be enforced through a complex ranking system that will limit the access of large PV plants to the incentives and will be applicable from 1 September 2011. Starting in 2013, pre-established half-yearly expense budgets shall be respected through additional tariff reductions applying to all PV plants based on previous installations. No incentives shall be awarded to PV plants entering into operations after 2016, as the Government apparently expects full grid parity to be reached in 2017. All incentives granted under the Fourth Conto Energia shall be paid for a period of 20 years without inflation adjustments.

2011 – 2012 Feed-In Premiums

As under the previous Conto Energia, until 2012 incentives will be paid as a feed-in premium that comes in addition to the price for the sale of electricity. Feed-in premiums are differentiated depending on the type of PV plant:

- PV plants integrated in buildings and using innovative technologies
- PV plants using concentration technology
- “Ordinary” PV plants, *i.e.*, all other PV plants that do not fall under the first two categories

Within such categories, premiums decrease as a function of the size of the PV plant and the date of start of operations.

2011 – 2012 PREMIUMS FOR ORDINARY PV PLANTS

Feed-in premiums will decrease on a monthly basis in 2011, whereas reductions will operate half-yearly in 2012. Relevant for the applicable premium period is the start of operations of the PV plant.

In this respect, the Fourth Conto Energia provides that, in cases where late start of operations depends on the grid operator and not on the applicant, and this circumstance implies the loss of a specific tariff, the applicant shall receive the indemnities provided for by the Authority for Energy and Gas (Resolution no. 181/10).

The tables below show the feed-in premiums granted to ordinary PV plants in 2011 and 2012.

Power Class	June 2011		July 2011		August 2011	
	PV Plants Installed on Buildings	Other PV Plants	PV Plants Installed on Buildings	Other PV Plants	PV Plants Installed on Buildings	Other PV Plants
1≤P≤3	0.387 (-1.02%)	0.344 (-0.86%)	0.379 (-3.06%)	0.377 (-2.88%)	0.368 (-5.88%)	0.327 (-5.76%)
3<P≤20	0.356 (-1.1%)	0.319 (-0.93%)	0.349 (-3.06%)	0.312 (-3.11%)	0.339 (-5.83%)	0.303 (-5.90%)
20<P≤200	0.338 (-0.88%)	0.306 (-0.97%)	0.331 (-2.93%)	0.300 (-2.91%)	0.321 (-5.87%)	0.291 (-5.83%)
200<P≤1000	0.325 (-2.99%)	0.291 (-3.96%)	0.315 (-5.97%)	0.276 (-8.91%)	0.303 (-9.55%)	0.263 (-13.20%)
1000<P≤5000	0.314 (-3.98%)	0.277 (-4.15%)	0.298 (-8.87%)	0.264 (-8.65%)	0.280 (-14.37%)	0.250 (-13.49%)
P>5000	0.299 (-3.86%)	0.264 (-4%)	0.284 (-8.68%)	0.251 (-8.73%)	0.269 (-13.5%)	0.238 (-13.45%)

Power Class	September 2011		October 2011		November 2011		December 2011	
	PV Plants Installed on Buildings	Other PV Plants	PV Plants Installed on Buildings	Other PV Plants	PV Plants Installed on Buildings	Other PV Plants	PV Plants Installed on Buildings	Other PV Plants
1≤P≤3	0.361 (-5%)	0.316 (-5.11%)	0.345 (-9.20%)	0.302 (-9.31%)	0.320 (-15.79%)	0.281 (-15.62%)	0.298 (-10.51%)	0.261 (-21.62%)
3<P≤20	0.325 (-4.97%)	0.289 (-4.93%)	0.310 (-9.36%)	0.276 (-9.21%)	0.288 (-15.79%)	0.256 (-15.79%)	0.268 (-21.64%)	0.238 (-21.71%)
20<P≤200	0.307 (-4.95%)	0.271 (-4.91%)	0.293 (-9.29%)	0.258 (-9.47%)	0.272 (-15.79%)	0.240 (-15.79%)	0.253 (-21.67%)	0.224 (-21.40%)
200<P≤1000	0.298 (-5.10%)	0.245 (-7.90%)	0.285 (-9.24%)	0.233 (-12.41%)	0.265 (-15.61%)	0.210 (-21.05%)	0.246 (-21.66%)	0.189 (-28.95%)
1000<P≤5000	0.278 (-7.95%)	0.243 (-7.95%)	0.256 (-13.23%)	0.223 (-13.53%)	0.233 (-22.85%)	0.201 (-23.86%)	0.212 (-29.8%)	0.181 (-31.44%)
P>5000	0.264 (-8.01%)	0.231 (-7.97%)	0.243 (-13.33%)	0.212 (-13.53%)	0.221 (-23%)	0.191 (-23.9%)	0.199 (-30.66%)	0.172 (-31.47%)

Power Class	1st Semester 2012		2nd Semester 2012	
	PV Plants Installed on Buildings	Other PV Plants	PV Plants Installed on Buildings	Other PV Plants
1≤P≤3	0.274 (-23.25%)	0.240 (-23.33%)	0.252 (-29.41%)	0.221 (-29.39%)
3<P≤20	0.247 (-23.05%)	0.219 (-23.43%)	0.227 (-29.28%)	0.202 (-29.37%)
20<P≤200	0.233 (-23.36%)	0.206 (-23.13%)	0.214 (-29.61%)	0.189 (-29.48%)
200<P≤1000	0.224 (-24.07%)	0.172 (-31.2%)	0.202 (-31.53%)	0.155 (-38%)
1000<P≤5000	0.182 (-35.92%)	0.156 (-37.10%)	0.164 (-42.25%)	0.140 (-45.55%)
P>5000	0.171 (-36.64%)	0.148 (-37.29%)	0.154 (-42.94%)	0.133 (-45.64%)

The numbers between brackets indicate the percentage of premium reduction in respect of the feed-in premiums that had originally been provided by the Third Conto Energia for the same period.

PV plants installed on greenhouses, carports, acoustic fences, shelters and/or platform roofs shall obtain a feed-in premium that is equal to the arithmetic mean between feed-in premium granted to PV plants installed on buildings and that applicable to other PV plants. However, greenhouse PV plants are only recognized as such if the surface of the modules projected on the ground does not exceed 50% of the ground covered by the greenhouse.

The feed-in premiums indicated in the table are further increased by the following increments:

- 5 per cent for ground-mounted PV plants located in industrial or commercial areas, waste treatment areas, exhausted quarries or polluted areas
- 5 per cent for small PV plants managed by municipalities with fewer than 5,000 inhabitants
- 5 Eurocents per kW/h for rooftop PV plants replacing asbestos
- 10 per cent to PV plants whose cost of construction, excluding labour costs, is composed at 60% or more by components manufactured within the European Union

Further premium increases are granted to small PV plants on buildings if they are combined with systems for the efficient use of energy, provided that certain requirements are met.

INTEGRATED PV PLANTS USING INNOVATIVE TECHNOLOGIES

Higher feed-in premiums are granted to integrated PV plants using innovative technologies. Such PV plants shall be built on rooftops using innovative modules and components specifically developed to substitute architectural elements of buildings.

Integrated PV plants with innovative features that start operating between 1 June 2011 and 31 December 2011 and between 1 January 2012 and 31 December 2012 will benefit from the feed-in tariffs listed in the tables below.

Power Range	June – December 2011	1st Semester 2012	2nd Semester 2012
KW	EUR/KWh	EUR/KWh	EUR/KWh
1≤P≤20	0.427 (-2.96%)	0.418 (-3.06%)	0.410 (-4.92%)
20<P≤200	0.388 (-3%)	0.380 (-3.06%)	0.373 (-4.85%)
P>200	0.359 (-2.97%)	0.352 (-2.92%)	0.345 (-4.85%)

The numbers between brackets indicate the percentage of premium reduction in respect of the feed-in premiums that had originally been provided by the Third Conto Energia for the same period.

CONCENTRATED PHOTOVOLTAIC PLANTS

Higher feed-in premiums are also provided for concentrated PV plants. These types of PV plants use a specific technology of optical systems that allow the concentration of sunlight on the photovoltaic cells.

Provided that the technical requirements listed in the decree are met, CPV plants are granted with the tariffs listed in the table below.

Power Range	June – December 2011	1st Semester 2012	2nd Semester 2012
KW	EUR/KWh	EUR/KWh	EUR/KWh
1≤P≤200	0.359 (-2.97%)	0.352 (-2.92%)	0.345 (-4.85%)
200<P≤1000	0.310 (-3.12%)	0.304 (-3.06%)	0.298 (-4.97%)
P>1000	0.272 (-2.86%)	0.266 (-5%)	0.261 (-4.88%)

The numbers between brackets indicate the percentage of premium reduction in respect of the feed-in premiums that had originally been provided by the Third Conto Energia for the same period.

2011 – 2012 Budgets and Access Restrictions for Large PV Plants

The Fourth Conto Energia provides, for each of the three semesters in 2011 and 2012, a budget of cost, exclusively referred to large PV plants, that shall not be exceeded by the award of feed-in tariffs.

- “Large PV plants” are defined as all those that do not fall in any of the categories of “small plants”, which include the following:
- PV plants integrated on rooftops not exceeding 1000 kWp
- Ground-mounted PV plants not exceeding 200 kWp using the net-metering system
- PV plants realised on buildings or areas owned by the public administration

For purposes of determining the above kWp threshold, PV plants owned by the same entity (or even only referable to the same entity) and located in the same area or in nearby areas shall be deemed as a sole plant having a nominal power equal to the sum of the single PV plants.

The table below shows the budgets for large PV plants and the corresponding indicative cumulative nominal power of installations.

	1/06/2011 – 31/12/2011	1st Semester 2012	2nd Semester 2012	TOTAL
Premium Budget	EUR 300 M	EUR 150 M	EUR 130 M	EUR 580 M
Indicative Cumulative Nominal Power	1.200 MW	770 MW	720 MW	2.690 MW

RANKING SYSTEM AND ACCESS RESTRICTIONS FOR LARGE PV PLANTS

In order to ensure the expense budget for 2011 – 2012, the Fourth Conto Energia provides for a complex system of ranking and access restrictions for large PV plants.

Note that large PV plants that enter into operation by 31 August 2011 are not subject to the ranking list mechanism described here, provided that the relevant owners communicate to the GSE the date of entrance into operation within 15 days as of the effective date of entrance into operation.

Owners of large PV plants that start operations after 31 August 2011 with the intention to be awarded a feed-in premium between 2011 and 2012 shall file an application with detailed documentation with the *Gestore dei Servizi Energetici* (GSE), in order to be registered by the GSE in a ranking list.

For 2011, all applications must be filed with the GSE between 20 May and 30 June 2011. If the expense budget for 2011 is not reached after the closing of the registration period on 30 June 2011, the GSE will open a further application period between 15 and 30 September 2011.

In this respect, PV plants that have started operations before 31 August 2011 are included in the calculation of the expense budget. If the cumulated expenses related to PV plants admitted to incentives in 2011 (*i.e.*, PV plants that entered into operation within 31 August 2011 and PV plants listed in the ranking list of 2011) exceed the 2011 expense budget, the 2012 expense budget shall be reduced in measure of 2011 extra costs.

For the first semester of 2012, the applications shall be filed with the GSE from 1 to 30 November 2011. In case of the budget not being reached, a re-opening of the registration period is foreseen from 1 to 31 January 2012. For the second semester of 2012, the applications shall be filed within 1 to 28 February 2012. In case of the budget not being reached, a re-opening of the registration period is foreseen from 1 to 31 May 2012.

Within 15 days after the end of the relevant registration period, the GSE publishes a ranking list which shall be based on the following criteria, listed in order of importance:

- PV plants that are operational at the date of filing of the application to the GSE
- PV plants for which the construction works have been completed at the date of filing of the application with the GSE (in such case, the applicant shall file the certificate of completion of the works within the closing of the registration period)
- Date of the building permit (oldest permits have priority)
- Minor nominal power of the PV plants
- Date of application for registration in the ranking list (oldest have priority)

PV plants that have applied to be registered in the ranking list for a specific feed-in premium period but which would not be awarded a feed-in premium of such period because of their low ranking are not automatically ranked for the next period but must file a new application. Note that the GSE shall automatically cancel PV plants listed in the ranking list that enter into operation within 31 August 2011, since they are not subject to this mechanism as previously mentioned.

Note also that the Fourth Conto Energia does not appear to prevent the owners of PV plants from filing applications for the same PV plant for more than one period. Therefore, a PV plant that, for example, is ready to file the application to the GSE for the second ranking list of 2011 (1 September to 15 October) would not be hindered from also filing an application for the first semester 2012 with respect to the same PV plant.

WORK COMPLETION AND LATE COMPLETION PENALTY

The feed-in premium shall be granted to large PV plants only at the condition that construction works are completed, and a specific completion certificate has been delivered to the GSE, within seven months (or nine months in case of plants exceeding 1 MW) as of the date of publication of the ranking list. The grid operator shall certify the completion of the construction works within 30 days from request, which means that *de facto* works must be completed within six (or, respectively, eight) months from the date of registration in order to obtain the feed-in premium.

If construction works are not completed within the mandatory time period, the registration from the ranking list will be annulled. The PV plant may then still be admitted to the feed-in premium of a subsequent period, but the respectively applicable feed-in premium will be reduced by a penalty of 20 per cent.

Cancellation of applicants from the ranking list does not cause a succession of lower ranked applicants, but the unused economic resources will be added to the subsequent period, communicated by the GSE.

2013 – 2016 Feed-In Tariffs

The Fourth Conto Energia introduces a switch from the current “feed-in premium” system to a true feed-in tariff system. Under the previous systems, and under the Fourth Conto Energia until 2012, a feed-in premium was paid in addition to the price for the sale of electricity. Starting from January 2013, one overall feed-in tariff will apply that includes both the electricity price and the premium. A reduced feed-in tariff applies to the share of the electricity that is not injected in the grid but self-consumed.

2013 – 2016 TARIFFS FOR ORDINARY PV PLANTS

The table below shows the amount of overall feed-in tariffs, including the price for the sale of electricity and the lower feed-in tariff applicable to PV plants operating for self-consumption in the first semester of 2013.

	PV Plants Installed on Buildings		Other PV Plants	
	Feed-In Tariff, Including Sale of Electricity	Feed-In Tariff in Case of Self-Consumption	Feed-In Tariff, Including Sale of Electricity	Feed-In Tariff in Case of Self-Consumption
1≤P≤3	0.375	0.230	0.346	0.201
3<P≤20	0.352	0.207	0.329	0.184
20<P≤200	0.299	0.195	0.276	0.172
200<P≤1000	0.281	0.183	0.239	0.141
1000<P≤5000	0.227	0.149	0.205	0.127
P>5000	0.218	0.140	0.199	0.121

Again, PV plants installed on greenhouses, carports, acoustic fences, shelters and/or platform roofs shall obtain an amount equal to the arithmetic mean between the feed-in tariff granted to PV plants installed on buildings and that applicable to other PV plants.

Starting with the second semester of 2013, in each semester the feed-in tariffs of the previous semester shall be reduced by the percentages indicated in the table below.

	1st Semester	2nd Semester
2013		9%
2014	13%	13%
2015	15%	15%
2016	30%	30%

Further reductions can be established in case of excess of the budget established for the previous semester.

INTEGRATED PV PLANTS USING INNOVATIVE TECHNOLOGIES

The table below shows the feed-in tariffs applicable to building integrated PV plants using innovative technologies in the first semester of 2013.

Power Range	Feed-In Tariff, Including Sale of Electricity	Feed-In Tariff in Case of Self-Consumption
KW	EUR/KWh	EUR/KWh
1≤P≤200	0.543	0.398
200<P≤1000	0.464	0.361
P>1000	0.432	0.334

Starting with the second semester of 2013 and until 2014, in each semester the feed-in tariffs of the previous semester shall be reduced by the percentages indicated in the table below.

	1st Semester	2nd Semester
2013		3%
2014	4%	4%

Further reductions can be established in case of excess of the budget established for the previous semester.

Between 2015 and 2016, building integrated PV plants using innovative technologies shall receive the same feed-in tariffs as ordinary PV plants.

CONCENTRATED PHOTOVOLTAIC PLANTS

The table below shows the feed-in tariffs applicable to concentrated photovoltaic plants in the first semester of 2013.

Power Range	Feed-In Tariff, Including Sale of Electricity	Feed-In Tariff in Case of Self-Consumption
KW	EUR/KWh	EUR/KWh
1≤P≤200	0.437	0.334
200<P≤1000	0.387	0.289
P>1000	0.331	0.253

Starting with the second semester of 2013 and until 2014, in each semester the feed-in tariffs of the previous semester shall be reduced by the percentages indicated in the table below.

	1st Semester	2nd Semester
2013		3%
2014	4%	4%

Further reductions can be established in case of excess of the budget established for the previous semester.

Between 2015 and 2016, concentrated photovoltaic plants shall receive the same feed-in tariffs as ordinary PV plants.

2013 – 2016 Expense Budgets and Additional Tariff Reductions

The table below shows the expense budgets—and corresponding estimated installations—that the Fourth Conto Energia provides for small and large ordinary PV plants in the period between 2013 and 2016.

	1st Sem 2013	2nd Sem 2013	1st Sem 2014	2nd Sem 2014	1st Sem 2015	2nd Sem 2015	1st Sem 2016	2nd Sem 2016	Total
Tariff Budget	EUR 240 M	EUR 240 M	EUR 200 M	EUR 200 M	EUR 155 M	EUR 155 M	EUR 86 M	EUR 86 M	EUR 1.361 M
Indicative Cumulative Nominal Power	1.115 MW	1.225 MW	1.130 MW	1.300 MW	1.140 MW	1.340 MW	1.040 MW	1.480 MW	9.770 MW

For building-integrated PV plants with innovative technologies and concentrated PV plants, tariff budgets are provided only for the years 2013 and 2014 because, starting in 2015, these PV plants receive the same tariff and fall within the same tariff budgets as ordinary PV plants.

Type of PV Plant		1st Sem 2013	2nd Sem 2013	1st Sem 2014	2nd Sem 2014
Tariff Budget	Innovative, building integrated	EUR 22 M	EUR 30 M	EUR 37 M	EUR 44 M
	Concentrated PV	EUR 19 M	EUR 26 M	EUR 32 M	EUR 38 M
Indicative Cumulative Nominal Power	Innovative, building integrated	50 MW	70 MW	90 MW	110 MW
	Concentrated PV	50 MW	70 MW	90 MW	110 MW

Unlike the budgets for large PV plants in 2011 and 2012, the budgets for 2013 to 2016 do not go together with access restrictions, but the excess of a tariff budget in a given reference period causes a reduction of the feed-in tariff in the subsequent reference period. Such reduction comes in addition to the percentage reductions provided for each semester and is determined on the basis of a mathematical formula reported in Annex 5 to the Fourth Conto Energia.

Award Procedure, Inspections and Penalties

The owner of a PV plant that is entitled to the incentives provided by the Fourth Conto Energia must file the request for the award of the incentives within 15 days from start of plant operations. The feed-in premium or tariff, as the case may be, will then be granted retroactively as of the date of start of operations. In case an application is filed only after expiry of the 15 days period, the incentives will be paid only as of the date of filing of the application.

The GSE has 120 days to evaluate the application and award the applicable incentives. The GSE can carry out inspections onsite in order to verify the truth and correctness of the data provided by the owner of the PV plant in the application. The filing of false information implies, in addition to other sanctions provided by the applicable criminal and administrative law, the loss of the incentives and the obligation to re-pay to the GSE the incentives already received. Furthermore, such persons or entities will be excluded from any award of feed-in tariffs for the following 10 years.

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