



Third energy account

THE 2011-13 INCENTIVES FOR PHOTOVOLTAIC POWER GENERATION

The third energy account confirms incentives for the installation of photovoltaic power plants in Italy and modifies the deadline for admission to the second energy account. In addition to simplified authorisation procedures for installation and reconstruction of the plants, it offers 20-year feed-in tariffs that are linked to the production of electricity and may, therefore, be added to the proceeds from (i) the sale of electricity on the free market, (ii) reverse metering (*scambio sul posto*) or (iii) power off-takes (*ritiro dedicato*) by Gestore dei Servizi Energetici.

The incentive scheme applies to plants that will become operational within 14 months of the 3,000MW capacity being installed and decreases over time and in accordance with the increased capacity of the plant.

Introduction

On 25 August the Ministry for Economic Development decree came into force. It confirmed incentives for the generation of electricity by photovoltaic power plants that start operating from 2011 to 2013 (the so-called 'third energy account').

The feed-in tariffs apply to natural or legal persons, public entities and co-owners responsible for photovoltaic power plants that start operating after 31 December 2010 (following installation, total reconstruction or upgrading) and have the following characteristics:

- capacity of at least 1kW;
- they meet the technical standards set forth in the decree;
- installation with new or newly built components; and
- single connection point to the national grid or to small power grids.

The decree has also modified the deadline within which the incentives set out in the decree of 19 February 2007 are granted (the so-called 'second energy account'): according to the new decree only plants that will become operational by 31 December 2010 are admitted to the second energy account, even if it is worth mentioning the recent law 129/2010 (confirming with amendments the law decree 105/2010) introducing a controversial criterion on the same matter. Following the recent law,

the incentives of the second energy account will be granted to plants that will start generating before 30 June 2011 (provided that the communication of end of the works is submitted before 31 December 2010).

The roof-top installation and running of plants benefits from a simplified procedure (statement of commencement of works), provided that the surface area of the modules does not exceed that of the roof and that the installer holds legal title to build on the area.

The feed-in tariffs are granted for 20 years from when the plant starts operating and *may be added* to the revenue from the sale of the generated electricity: ie they are granted exclusively for the production and not for the sale of electricity.

The incentives are granted to new plants that will become operational within 14 months of the cumulative 3,000MW capacity being installed. Applications will have to be made to the Gestore dei Servizi Energetici via telematics support within 90 days of the plant becoming operational to benefit from the incentives from the beginning of the production.

The feed-in tariffs

The tariffs outlined in the following charts, which progressively decrease as the capacity of the plant rises, will apply to plants that start operating in 2011.

Tariff A – starting operations 1 January-30 April 2011

Plant capacity	Plants installed on buildings	Other plants
<i>kW</i>	<i>€/kWh</i>	<i>€/kWh</i>
1≤P≤3	0.402	0.362
3<P≤20	0.377	0.339
20<P≤200	0.358	0.321
200<P≤1,000	0.355	0.314
1,000<P≤5,000	0.351	0.313
P>5,000	0.333	0.297

Tariff B – starting operations 1 May-31 August 2011

Plant capacity	Plants installed on buildings	Other plants
<i>kW</i>	<i>€/kWh</i>	<i>€/kWh</i>
1≤P≤3	0.391	0.347
3<P≤20	0.360	0.322
20<P≤200	0.341	0.309
200<P≤1,000	0.335	0.303
1,000<P≤5,000	0.327	0.289
P>5,000	0.311	0.275

Tariff C – starting operations 1 September-31 December 2011

Plant capacity	Plants installed on buildings	Other plants
<i>kW</i>	<i>€/kWh</i>	<i>€/kWh</i>
1≤P≤3	0.380	0.333
3<P≤20	0.342	0.304
20<P≤200	0.323	0.285
200<P≤1,000	0.314	0.266
1,000<P≤5,000	0.302	0.264
P>5,000	0.287	0.251

Plants that start operating in 2012 will be entitled to receive tariff C minus 6 per cent. In 2013 the incentive will decrease by 12 per cent compared with the figures for the last four months of 2011. Plants that start operating on 1 January 2014 will receive new incentives and will be

regulated by a new decree: should this not be issued, they will be granted the 2012 tariffs reduced by 6 per cent per year.

For integrated photovoltaic power plants – ie constructed with modules that integrate with and replace architectural elements – the decree sets higher incentive thresholds.

Tariff for integrated photovoltaic plants

Plant capacity	2011 tariff
<i>kW</i>	<i>€/kWh</i>
1≤P≤20	0.44
20<P≤200	0.40
P>200	0.37

If such plants start operating in 2012 or 2013, the tariffs will be reduced by 2 per cent per year.

The final category of incentives regards concentrator photovoltaic power plants, to which the following tariffs apply, again reduced by 2 per cent per year for 2012 and 2013.

Tariff for integrated photovoltaic plants

Plant capacity	2011 tariff
<i>kW</i>	<i>€/kWh</i>
1≤P≤20	0.37
20<P≤1,000	0.32
P>1,000	0.28

Integrated and concentrator photovoltaic plants will be admitted to the third energy account if they become operational within 14 months of the installation of the cumulative 300MW and 200MW capacity, respectively.

Tariff increases and other forms of incentive

The feed-in tariffs may be added to investment subsidies of less than 30 or 60 per cent, depending on the type of investment and the capacity of the plant.

Moreover, plants with a capacity up to 200kW may benefit from the mechanism that offsets the value of the electricity generated and injected into the grid against the value of the electricity withdrawn and consumed

in a different period from that in which it is generated (reverse metering; *scambio sul posto*). The regulated off-take scheme (*ritiro dedicato*) – whereby producers sell their electricity directly to Gestore dei Servizi Energetici through a simplified sales procedure – is available to plants with a higher capacity. Producers may still sell their electricity on the free market through the electricity exchange or bilateral agreements. The revenue from such sales may be added to the feed-in tariffs.

Roof-top plants that operate under the reverse metering scheme may also be granted an increase in the feed-in tariffs when they achieve an increase in their level of energy efficiency. The tariff will be increased with half the reduction of electricity needs achieved by interventions on the outside of buildings that have produced a reduction of at least 10 per cent of the summer and winter energy performance factors. The increase may not, however, exceed 30 per cent of the basic tariff.

The same category of plant is eligible for an increase of 5 per cent in the tariff where it is installed by a municipality with a population of less than 5,000. There is a further increase of 10 per cent if, in addition to the installation of the panels, roofing made of fibre cement or containing asbestos is removed.

The tariffs are increased by 5 per cent for all plants other than those installed on buildings provided that they are located in areas classified as industrial, commercial, exhausted quarries or dumps and contaminated sites.

Plants with predictable metering systems (ie with a capacity exceeding 200kW but less than 10MW that – for at least 300 days a year – keep to their programme of injection into or withdrawal from the grid from 08.00 to 20.00) benefit from an increase of 20 per cent for each day on which the programme is met.

The decree specifies that photovoltaic plants integrated with shelters, greenhouses, roofs and acoustic barriers can be granted tariffs calculated on the average value between the incentives for photovoltaic plants installed on buildings and those tariffs for other types of photovoltaic plants.

The Italian Energy Authority will issue one or more regulation/s to set out: the procedures to be granted with the feed-in tariffs; the consequences related to the

loss of incentives due to transmission operators' delay in connecting the plant to the electricity grid; and the budgeting of the third energy account through the regulated tariff 'A3'.

The Italian Energy Authority will also establish the procedures to verify the conditions to be granted with tariff increases and, in this regard, special rules will be issued by the Gestore dei Servizi Energetici for plants with predictable metering systems.

Plants that will start generating before 31 December 2010 will benefit from the second energy account and the related procedural rules, which have been amended and significantly clarified by the decree.

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