The rising returns on business solar

David Stevenson, Mole Energy

Did you know that returns on a new solar installation for your business can be higher today than they were eight years ago, despite the Feed In Tariff ending last March. Surprising isn't it?

It's amazing how often we hear from business owners who believe that solar is no longer viable now that the Feed In Tariff (FIT) has ended. However, if your business uses lots of energy you are likely to find the returns higher and pay back times shorter than they were in the FIT heydays of 2012.

Adding solar to reduce business costs was a wise decision in 2012, but may be even wiser today. Over the last eight years, the cost of commercial solar installations has fallen by over 55%. System efficiency has increased dramatically, while energy rates have continued to rise.

As the cost of solar has fallen, it has effectively met the rising cost of electricity, giving us "grid parity", which makes for compelling returns without the need for a tariff.

As business owners, we constantly need to find ways to reduce our outgoings. With electricity bills predicted to rise by up to 75% over the next 10 years, many of our customers are turning to solar to help reduce the impact on their businesses.

Solar in 2012

At Mole Energy, we install for a wide range of business types and sizes. With solar PV systems ranging from 10kW to 1 MegaWatt, one of the most common system sizes we install for customers is 50kW.

If you had invested in a 50kW system in 2012, you'd have spent in the region of £80,000 for the whole system installed. The average electricity cost was around 9.5p per unit.

The Feed in Tariffs (or FITs) were available back then, but the solar itself was costly. A standard panel gave 250 watts of power, so you'd have needed 200 panels to make up a 50kW solar array.

When it came to troubleshooting, if there were any problems with your system, you would only become aware of the issue if you noticed a red light on your inverter.

Business solar today

Today, a 50kW system with the same output would cost around £35,000* installed. That's £45,000 cheaper than 2012! The average electricity cost is now around 15p per unit.

With each panel now producing 325W, less space is needed, as the system is nearly 25% smaller, with just 153 panels.

A 50kW system on a poultry farm in Somerset

Monitoring your system has changed dramatically too. Today's systems boast app-based platforms bringing detailed insight to the whole array straight to your smartphone or tablet. This level of sophistication means that if there is an issue, you can identify which panel needs attention, making repairs quicker and cheaper.

The table below compares a 50kW solar PV array from 2012 with the same today. The Year One payback times speak for themselves. The figures are based on 70% solar usage.

	2012	2020
System size	50kW	50kW
Panels	200 x REC 250W	153 x REC 325W
System cost (exc scaffold)	£80,817	£35,400*
Solar kWhs produced Year 1	50,200	50,200
Electricity cost per kWh	9.8p	15p
FIT rate	15.2p per unit	Zero
Year 1 value	£11,073 (FIT plus bill saving)	£5,271 (bill savings only)
Payback rate Year 1	7.3 years	6.7 years

Tax benefits

As if this wasn't compelling enough, even the tax man is doing his bit to help businesses benefit from solar.

Because solar panels are viewed as 'plant and machinery', they can receive tax benefits in the form of capital allowances. This means that in the first year after installation, the cost of solar can be written off against profits.

The picture shows a 50kW system we installed on a poultry farm in 2019. Business owners across the South West are investing in solar to reduce their outgoings...now is the time to join them.

*Starting from price, assumes box profile roof, no skylights, local cable run. Excludes scaffolding and VAT.