



**OVERVIEW OF
THE PV
INVESTMENT
ENVIRONMENT
IN ITALY**

**SEPTEMBER
2016**



**SolarPower
Europe**



ANIE 
Rinnovabili

GENERAL EVALUATION OF THE NATIONAL SUPPORT FRAMEWORK



Support policies (financial schemes and regulatory framework)

Support schemes are available to all types of PV investors. Small and medium investors (up to 500 kW) can subscribe either to the net-metering programme (so-called "Scambio sul Posto") or to the feed-in-premium programme (so-called "Ritiro Dedicato"). Larger investors (above 500 kW) can either subscribe to Ritiro Dedicato or sell their electricity to a trader or to the power exchange.

In addition, systems up to 20 kW can benefit from reduced VAT rates and fiscal incentives (upon fulfilment of certain conditions, see below). PV systems up to 20 kW that run under the Scambio sul Posto scheme and that qualify as "SEU" (plants that produce electricity for local or own consumption) can also be exempted from the payment of all variable cost components of the electricity bill on the locally or self-consumed power. This makes them the most attractive investment segment.

Scambio sul Posto and SEU are the most interesting schemes. However, their regulatory frameworks, especially the one for SEU, are very complex. Moreover, the savings from local and self-consumption are bound to decrease, as the Italian government goes forward with a reform of the electricity bill structure. This reform addresses both residential and non-residential electricity end-users. Changes to residential bills have already been finalised. Unfortunately, it seems that as a result of this reform the pay-back period of investments in SEU plants may increase by around 12 months.



Policy stability and predictability

Policy stability and predictability have worsened since 2014. While the end of the feed-in-tariff programme upon the attainment of a pre-defined budget cap had been announced in due time, the introduction in 2014 of retrospective measures aimed to decrease the cost of *already* committed feed-in-tariffs was completely unanticipated ([Law 116/2014](#), art. 26, so-called "Spalma Incentivi"). In addition to such measures, in 2015 already connected systems were made subjected to the payment of new charges and fees (5% of variable general system costs on self-consumed electricity except for systems whose power is below 20 kW and which work under the Scambio sul Posto scheme, fee covering GSE's administrative costs except for systems whose power is below 3 kW and fee financing the collection and recycling of end-of-life panels).

Potential investors today expect the government to clarify how PV will be supported in the future. The sector needs clear short and medium-term deployment targets. These should be accompanied by the certainty that measures with retrospective effect will not be adopted again and that in the future regulatory changes will always be agreed upon with the industry.



Market growth

The Italian PV market size has dramatically decreased since the cancellation of feed-in-tariffs. This is partially due to an abrupt transition from the "feed-in-tariff era" to the post-FiT period in 2013. The government failed to positively communicate about the remaining support instruments and to make them attractive by simplifying them. The introduction of retrospective measures has also contributed to scaring off investors.

The following elements would help the Italian market to thrive again:

- Clear short and medium-term deployment targets;
- Consultation with the industry on regulatory changes and no more retrospective measures;
- Improvement of regulatory framework for SEU – PV systems producing electricity for self- or local consumption;

- Continuation of fiscal incentives for PV installations owned by private individuals and extension of these incentives to public and private companies;
- Introduction of PV market integration measures;
- Positive communication about the benefits of this technology.

SUMMARY OF FINANCIAL SUPPORT MEASURES

FIT	FiP ("Ritiro Dedicato")	Green certificates	Tenders	Net-metering ("Scambio sul Posto")	Self / local consumption ("SEU")	Investment grants	Beneficial credit terms	VAT reduction	Fiscal incentives
x	✓	x	x	✓	✓	x	✓	✓	✓

SPECIFIC FINANCIAL SUPPORT MEASURES

Net-metering ("Scambio sul Posto") for systems up to 500 kW

Eligibility	Owners of PV systems up to 500 kW can benefit from this scheme. Their power injection point and their power withdrawal point must coincide; an exception is made for municipalities with less than 20.000 inhabitants. This scheme is compatible with the self-consumption scheme and with reduced VAT rates and fiscal incentives.
Description	<p>The PV plant operator pays the supplier for the electricity withdrawn from the grid like a regular consumer. GSE makes a payment to the PV plant owner, which is equal to the difference between the value of the PV electricity injected into the grid and the value of the electricity withdrawn from the grid in a defined time period. The value of the PV electricity injected into the network takes into account time and grid area. The value of the electricity withdrawn from the grid is equal to the difference between the price of the electricity and the grid costs. Once per year the PV plant operator, except for plants up to 3 kW, pays a fee that covers the administrative costs incurred by the relevant grid operator.</p> <p>A PV system adhering to this scheme qualifies automatically as SEU and can therefore be exempted from the payment of all variable electricity bill costs if it is smaller than 20 kW or from the payment of all variable electricity bill costs but 5% of variable general system costs if it is bigger than 20 kW.</p> <p>The fee covering GSE's operational costs (exception made for systems whose power is below 3 kW) must be deducted from the revenues coming from this scheme.</p> <p>For more information, see GSE website-Section "Scambio sul Posto".</p>
Market control	There is no cap on the PV capacity that can benefit from this scheme.
Evaluation	This scheme can be modified annually. This creates uncertainty for business plans. Moreover, the economic formula that allows to calculate the internal rate of return of PV plants running under this scheme is complex for small and medium operators.

Self / local consumption ("Sistemi Efficienti di Utenza")

Eligibility	Owners of PV systems can qualify as SEU if they consume their produced electricity or if they sell it to a single consumer located within the same local, private grid. This scheme is compatible with the other schemes and with
--------------------	---

	reduced VAT rates and fiscal incentives.
Description	<p>The PV system owner and the consumer of the produced PV electricity (when the two do not coincide) can sign a private contract in accordance with the Civil Code. These contracts are not regulated by any specific law. The self- or locally consumed electricity produced by systems below 20 kW is exempted from the payment of all variable cost components of the electricity bill. The self- or locally consumed electricity produced by systems above 20 kW is charged with only 5% of variable general system costs. SEU systems can adhere to the net-metering or to the feed-in-premium schemes or they can sell their excess electricity to a trader or to the power exchange.</p> <p>SEU systems must pay the fee covering GSE's operational costs (exception made for systems whose power is below 3 kW) like all the other systems.</p> <p>For more information, see Deliberation 578/2013 and GSE website-Section SEU.</p>
Market control	At the moment there is no cap on the PV capacity that can benefit from this scheme.
Evaluation	<p>The factors that allow to determine the internal rate of return of PV plants running under this scheme are many, e.g. project bankability, local or self-consumption rate, risk of non-payment by the consumer of the PV electricity to the PV system owner.</p> <p>The attractiveness of this scheme is directly proportional to the PV project developer's ability to offer interesting energy management services, energy efficiency measures and contract conditions.</p> <p>The following elements would make this scheme more interesting:</p> <ul style="list-style-type: none"> - Clearer, more extensive definition of "SEU"; - Clear definition of "complex systems", i.e. when PV electricity is produced and consumed within commercial areas and apartment buildings; - Clear framework for "closed distribution systems" via the full implementation of art. 28 of Directive 2009/72/EC. The existing regulation does not concern new installations and does not allow PV system owners to sell their electricity to more than one consumer.

Feed-in-premium ("Ritiro Dedicato")

Eligibility	All PV systems are eligible for this support mechanism. This scheme is compatible with the self-consumption scheme and can be combined with reduced VAT rates and fiscal incentives.
Description	<p>Systems <i>up to 1 MW</i> can decide between selling the electricity that they inject into the grid to the GSE agency at the "hourly electricity price per market area" ("prezzi orari in funzione della zona di mercato") or at the so-called "guaranteed minimum price". The latter currently corresponds to 39 €/MWh and is paid only to the first 1.500.000 kWh that are injected into the network in one year. Systems <i>above 1 MW</i> can only sell their power at the hourly electricity price per market area.</p> <p>A PV system adhering to this scheme that qualifies as a SEU can be exempted from the payment of all variable electricity bill costs if it is smaller than 20 kW or from the payment of all variable electricity bill costs but 5% of variable general system costs if it is bigger than 20 kW.</p> <p>For more information, see Deliberation 618/2013 or GSE website-Section "Ritiro Dedicato".</p>
Market control	There is no cap on the PV capacity that can benefit from this scheme.

Evaluation	The profitability of this mechanism has vanished since the “guaranteed minimum price” was decreased to only 39 €/MWh.
-------------------	---

Other support measures

Support Measure	Description and analysis
VAT reductions	The VAT rate is set at 10% (instead of 23%) on PV equipment and installation costs.
Fiscal incentives	Private individuals, members of cooperatives and tenants benefit from a tax relief of 50% on investments in building renovation, including in PV systems. This applies to PV systems up to 20 kW and with a maximum price of 96000 €. The tax relief is spread over a 10-year period. For more information, see the Guidebook of “ Agenzia delle Entrate ”. The tax reliefs are valid until the end of 2016.
Beneficial credit terms	Some banks and regional authorities provide beneficial credit terms for PV system installation.

What does the GSE’s fee look like?

Owners of PV systems $P > 3$ kW have to pay an annual fee to GSE to cover they operating expenses, including for audit and control. The fee level depends on the capacity of the plant:

3-20 kW: 0.7€/kWh
20-200 kW: 0.65/kWh
>200 kW: 0.6 €/kWh
The fee cannot exceed 10.000 €/year.



ANALYSIS OF THE SYSTEM INTEGRATION FRAMEWORK

The feed-in-premium and the net-metering schemes could facilitate the integration of PV into the electricity system above all for small and medium plants. The low remuneration of the injected PV electricity remains however a challenge. PV system owners can also decide not to benefit from any support and to sign bilateral contracts with wholesalers or to sell their electricity directly on the power exchange market.

The self / local consumption scheme optimises the use of PV electricity, as it promotes its use very close to where it is produced. However, rules are currently not clear enough and a general “vision” on self-consumption accompanied by an appropriate support program is needed.

The sector recommends the government to promote a better integration of renewable sources into the market, inter alia by:

- Facilitating aggregation strategies;
- Promoting the self and local consumption scheme and favouring a better match of consumption and production profiles;
- Allowing for the participation of variable renewable sources in the supply of network services.

MORE INFORMATION

- [GSE](#) - Gestore Servizi Energetici - Italian agency that manages RES incentives
- [AEEGSI](#) - Italian agency for the electricity, gas and water system

- [ANIE Rinnovabili](#)
In particular:
 - o [Sala stampa](#)
 - o [Spalma Incentivi](#)
 - o [GSE rules on PV system maintenance](#)
 - o [Electricity bill reform, non-domestic end-users](#)
- [AssoRinnovabili](#)
In particular:
 - o [self-consumption](#)
 - o [Spalma Incentivi](#)
 - o [Electricity bill reform, domestic end-users](#)
 - o [GSE rules on PV system maintenance](#)