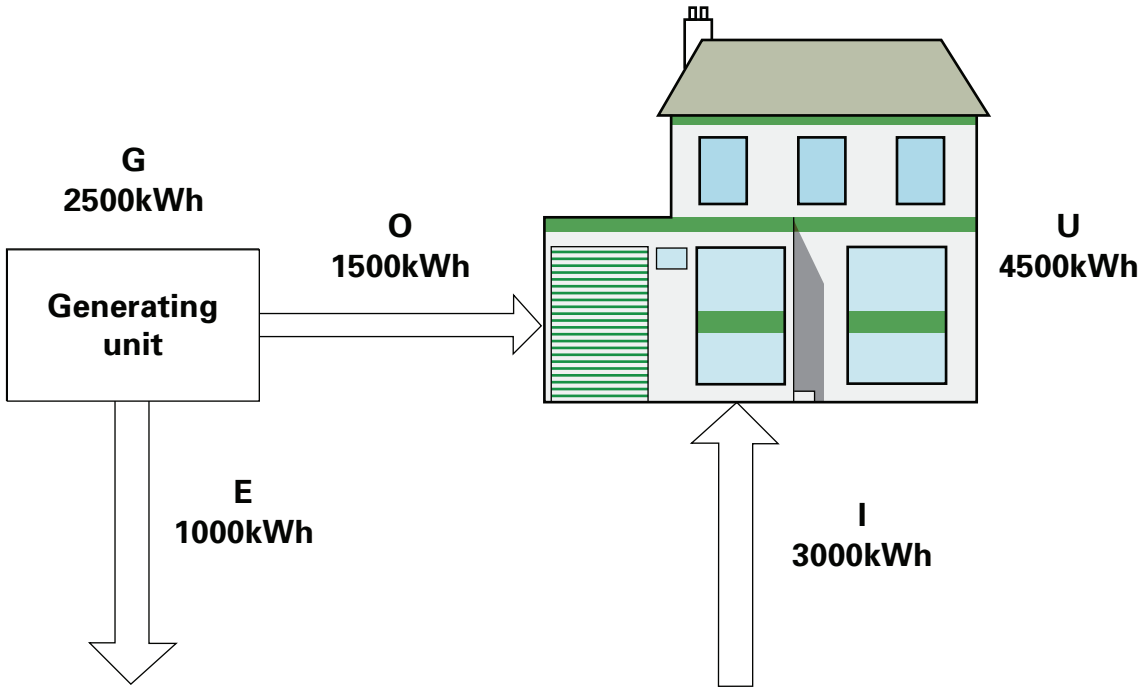
Figure 5:
Illustration of potential electricity flows for an on-site generator



Key

G = Generation = O+E
O = Onsite use
U = Usage = I+O
E = Export
I = Import

3.25 In this diagram, the site generates 2,500 kilowatt hours (kWh) per annum (e.g. from a solar PV panel). They use 1,500kWh of the electricity they generate. 1,000kWh is exported, because it is generated at times when the household does not use it. The household uses a total of 4,500kWh per annum. Therefore, they need to import 3,000kWh from their electricity supplier.

3.26 Under our proposal if the tariff for generation is, for example, 30p/kWh, the generator will receive a FITs payment of £750 per annum (2500kWh x 30p) for the electricity they generate. They will also receive a payment for the electricity they export; assuming a price of 5p/kWh this would be £50 (1000kWh x 5p). They also derive a benefit from the 1,500kWh they generate and use on-site as that will offset 1,500kWh they would otherwise have had to buy from their electricity supplier. Assuming an import price of 10p/KWh this would be a saving of £150 (1500kWh x 10p).

3.27 If FITs were delivered by a generation only tariff, and generators were required to pay import rates for all electricity used (including that generated on-site) the same