

MINISTRY OF ENERGY'S ENVIRONMENTAL REGISTRY TEMPLATE FOR PROPOSALS

Main body of the posting

1. Title:

Proposed Amendment of Ontario Regulation 541/05: Net Metering, or a new Regulation (To Be Determined), to be made under the *Ontario Energy Board Act, 1998*

2. Description:

Enhancements to Ontario's Net Metering Framework

The Province's 2017 Long-Term Energy Plan (LTEP) commits to enhance Ontario's net metering framework to give businesses and consumers more opportunities to generate and store renewable electricity. In accordance with this commitment, the Ministry of Energy intends to expand net metering eligibility to include new ownership models and to ensure appropriate consumer protection and siting restrictions.

Legislative amendments to the *Ontario Energy Board Act, 1998*, required to expand the scope of eligible net metering ownership models, were tabled on November 14, 2017, as part of the Government's Fall Economic Statement Bill [NTD: add title/no.] and [NTD: passed/introduced] in the Ontario Legislature on [NTD: add date].

Pending the passing of the proposed legislative amendments, the Ministry of Energy intends to propose regulatory changes to enable these new ownership models, as well as other regulatory measures in support of an expanded and enhanced net metering framework, as follows:

- Enable third-party ownership of net-metered generation facilities and virtual net metering demonstration projects;
- Introduce of new and enhanced consumer protections that would support the introduction of third-party ownership arrangements; and
- Ensure that prescribed types of renewable energy generation facilities are sited appropriately.

The Ministry of Energy invites input on this regulatory proposal and corresponding regulatory proposals (posted separately and linked in the Additional Information section of this posting) to inform changes to Ontario's net metering framework.

A plain language description of the proposed regulation follows:

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Enabling Third-Party Ownership of Net-Metered Generation Facilities and Virtual Net Metering Demonstration Projects

In accordance with commitments made in the Province's 2017 Long-Term Energy Plan (LTEP), ENERGY is proposing to amend Ontario's Net Metering Regulation (O. Reg. 541/05) or to provide for a new Regulation, if approved, contingent on the passage of certain legislative amendments to the *Ontario Energy Board Act, 1998*, to:

- Enable third-party ownership of net-metered renewable generation facilities; and
- Provide flexibility for distributors to enable virtual net metering demonstration projects through participation in a targeted Independent Electricity System Operator (IESO) administered program.

Third Party Ownership (TPO)

Ontario's existing net metering regulation centres on an eligible generator who must also be the customer. This requirement means the customer must own or operate the renewable generation facility in order to be eligible to net meter. The Ministry of Energy is proposing to amend the net metering regulation to allow other entities to own and operate the renewable generation facility in the following manner:

- a. Eligible customers could request to be billed on a net-metered basis by their distributor. An eligible customer would no longer be required to be an eligible generator. The intent would be to permit other parties (other than the customer) to own and operate the renewable generation facility, if desired by the customer.
- b. A customer could enter into an agreement with a generator to purchase electricity generated from a renewable energy source. This arrangement would allow surplus electricity that is not consumed by the customer to be conveyed into the distributor's distribution system, and the customer would receive a credit on their bill for the value of the electricity conveyed into the distribution system.
- c. The renewable generation facility, owned or operated by a third party generator, would be required to be located behind the customer's meter (i.e. electricity is conveyed directly from the point of generation to another point for the *eligible customer's* consumption without relying on the distributor's distribution system to convey electricity).
- d. The customer would confirm whether an agreement between the customer

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and a third party generator exists.

- e. If an agreement between the customer and a third party generator exists, the customer would acknowledge that the following information has been disclosed to them:
 - i. Name and contact information of the owner of the renewable generation facility;
 - ii. Type of agreement between customer and the owner of the renewable generation facility (PPA, lease, financing etc.), if any;
 - iii. Capacity of the renewable generation facility (kW);
 - iv. Estimated energy output of the renewable generation facility (kWh);
 - v. Treatment of excess generation beyond the customer's annual consumption, if any;
 - vi. All ongoing customer payments associated with the agreement including but not limited to: payments for electricity, lease payments, or loan payments;
 - vii. Estimated savings realized by the customer, if any;
 - viii. Estimated cost of electricity purchased from the distribution system utilized, if any;
 - ix. Any costs for which the customer will be responsible, including but not limited to: Ongoing operation and maintenance costs, connection costs, if any;
 - x. Warranty provisions for the renewable generation facility, if any;
 - xi. Termination provisions and associated penalties, if any;
 - xii. Transfer/assignment provisions, if any;
 - xiii. If the third-party generator will put a lien on the customer's property, if any; and
 - xiv. Term of the agreement.
- f. All other requirements prescribed in the existing net metering regulation (O. Reg. 541/05) would continue to apply (i.e. length of credit rollover period, eligibility to use energy storage etc.).

Virtual Net Metering (VNM) Demonstration Projects

In a VNM arrangement, customers are billed on a net-metered basis for eligible electricity generated from a generation facility that is not connected directly to the customers' load (i.e., not located behind the customer's meter). The generation facility may be located behind a 'host' load customer meter, or directly connected to a distribution system. Credits accrued from electricity conveyed to the distribution system from the generation facility are applied to associated customer accounts to reduce their electricity bills.

The Ministry of Energy is proposing provisions that will permit electricity distributors to facilitate VNM demonstration projects in the following manner:

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- a. Electricity distributors would be permitted to enter into net metering agreements with customers to implement VNM demonstration projects, if the project is participating in a prescribed program administered by the IESO and in accordance with criteria set out in that program.
- b. A generation facility utilized for a VNM demonstration project would be required to be a renewable generation facility.
- c. A VNM renewable generation facility would be required to be connected to a distributor's distribution system at a voltage not to exceed 50 kV, and could not be connected to the transmission system.
- d. Subject to the discretion of any involved distributors, customers associated with a VNM demonstration project may be located in a distributor's distribution system other than the distribution system in which the generation facility is located.
- e. Distributors implementing VNM demonstration projects would be required to value credits for any electricity conveyed by the generator into a distribution system based on similar principles (affecting only volumetric charges) as currently specified in the existing net metering regulation.

Other Matters

The Ministry is further considering how unit sub-meter providers could be involved in the TPO net metering activities being contemplated and in VNM demonstration projects. Unit sub-meter providers are entities, licensed by the Ontario Energy Board, (OEB) and subject to OEB Code, and could include a distributor that works with or for the management of a multi-unit residential complex, such as an apartment or condominium, to provide invoice and other related activities ("billing") to consumers in bulk-metered buildings. The Ministry invites comment on these matters as well as any other matters relevant to TPO net metering and VNM.

3. Purpose:

The proposed changes to Ontario's net metering framework are intended to give businesses and consumers more opportunities to generate and store renewable electricity.

The new ownership models being proposed will allow for innovative approaches to net metering in Ontario, help reduce load on the electricity system, and support initiatives under the Government's 2016-2020 Climate Change Action Plan.

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TPO and VNM models can offer increased access for Ontario electricity customers to participate in net metering by reducing the upfront costs of purchasing or installing a renewable energy system. They will allow innovative business models that could reduce electricity costs for Ontarians while also providing value to the grid.

4. Other Information:

NA

5. Other Public Consultation Opportunities:

ENERGY held consultations to gather feedback on a policy proposal to enhance Ontario's net metering framework. Stakeholder feedback has been incorporated into the proposal presented in this posting.

ENERGY is not planning any additional public consultation outside of this posting.

Information which appears along the right side of the main body of the posting

1. Ministry Contact (comments should be directed to the following person):

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Conservation and Renewable Energy Division
Renewable Energy Facilitation Office
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Toronto, Ontario
M7A 2C1
Phone: 1-877-440-7336 (416-212-6582 within the GTA)

2. URLs to other documents:

- Link to Proposed Amendment of Ontario Regulation 389/10: (General), to be made under the *Energy Consumer Protection Act, 2010*.
- Link to Proposed New Regulation to be made under the *Electricity Act, 1998*
- [2017 Long Term Energy Plan](#)
- [Ontario Regulation 541/05: Net Metering](#)
- Link to Fall Economic Statement