

Net metering - Questions from MO

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Attachments: LRC net metering - Ministry Approval Form - 20170116.doc (361.98 kB)

Hi Deputy,

MO had a few questions about the net metering package going forward to LRC (Ministry Approval Form attached for reference). Staff reviewed and provided answers below.

Okay to send to MO?

Thanks,
Alexa

1. Can staff provide more context/info. re: costs passed to consumers – is this related to the GA?

Global Adjustment costs would not increase as a result of net metering uptake. However, customers may pass on a small amount of GA and other volumetric electricity charges (i.e., volumetric distribution, transmission, and regulatory charges), that they otherwise would have paid, to other customers. This is because they are consuming less electricity from the grid.

However, these charges (or, a portion of these charges) are only passed on to other consumers where the value of electricity generated by the net metering participant is *lower than* the volumetric charges listed above. This is further explained in the answer to question 2 below.

2. Why are we using a model that isn't tiered? (page 12 of the Ministry Approval Form)

Staff did use Tiered Pricing in the analysis. Please see footnote 33 on page 13 which states the following:

“ 3.5 cents is based on the difference between residential Tiered Prices in 2020 (12 cents/kWh) and the average of IESO's preliminary estimates of the 20-year levelized value of solar in different regions of the province (12 cents + 5 cents / 2 = 8.5 cents) in 2020.”

Volumetric electricity rates are used as a *proxy* for the value of the net-metered renewable energy generation. However, in most areas of the province, the IESO has modelled that the value of the electricity generated by the net metering participant may be slightly lower than the total of volumetric electricity rates.

Most residential net metering participants in the province will be billed for their consumption, and credited for their exports, at Tiered Pricing rates. In 2020, Tiered Pricing rates that a customer would receive on exports to the grid are modelled to be on average \$0.12/kWh (brought back into 2016, and accounting for average residential solar PV generation and current Tiered Pricing kWh tier thresholds as posted on the OEB's website).

Based on IESO's estimate of the value of solar PV generation, however, that \$0.12/kWh is \$0.035 higher than the true value offered by PV generation to the province in 2020. The IESO's analysis did not account for distribution costs/benefits, so was an indicative estimate. However, for the purpose of the analysis we also only looked at commodity charges paid (Tiered Pricing) as these are the largest source of credits a net metering customer would receive, and as residential customers are being transitioned to a fully fixed distribution charge.

ENERGY staff used this \$0.035 difference between what net metering participants are credited vs. the

value offered by their generation to calculate an estimate of the subsidy provided to net metering customers (the total cost shift) assuming different levels of uptake. In terms of the cost shift examples in the LRC package, these would be funded entirely through the Global Adjustment, given the scope of the analysis.

- 3. Does the package speak to current subsidies offered to NM customers? See pg. 12 referencing 3.5 cents, but this is not offered now/proposed to be. Should have current pricing.**

Please see answer to question 2 above. There are no direct subsidies currently offered to net metering participants. However, volumetric electricity rates may represent a modest indirect subsidy in certain areas of the province.