



LEGISLATION AND REGULATIONS COMMITTEE
BRIEFING NOTE

Energy
Updating Net Metering Program

LTEP JEP (tbc)	LTEP Cab (tbc)	JEP Feb 18, 2014 LTEP update	LTEP update Cab (tbc)	MTCC INFO August 24, 2016	LRC and LRC/Cab January 31, 2017	Effective Date July 1, 2017
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Commented [MC1]: CO to confirm dates

Summary of Proposal

The following proposal contains no variances from current government direction.

Context for Decision:

This proposal supports a commitment made in Ontario's 2013 Long Term Energy Plan (LTEP) as well as the Ministry of Energy's mandate letter in 2016.

Ontario has a Net Metering program through which consumers may generate renewable energy to offset their own energy requirements and any surplus energy is sent to the grid. Ontario also has Feed In Tariff (FIT) programs where 100% of generated electricity is exported to the grid and is compensated for. Uptake of net metering has been relatively limited since the launch of the FIT programs in 2009. Ontario's 2013 LTEP committed to 'examine the potential for microFIT to transition from a generating purchasing program to a net metering program'. The microFIT program will accept applications until December 31, 2017. Implementation of the proposed updated Net Metering program would coincide with the winding down of the FIT and microFIT programs.

The Proposal

The proposed amendments to the Net Metering regulation (Ontario Regulation 541/05) would broaden Net Metering program eligibility and make additional updates:

- Clarify the description of the method used to calculate bill credits for any surplus electricity sent to the electricity grid;
- Extend the carryover period for bill credits for any surplus electricity sent to the grid from 11 to 12 months;
- Remove the 500 kilowatt (kW) project capacity size limit to allow for any sized renewable energy generation system, subject to the system being used primarily for the generator's own use;

- Allow for the use of energy storage and its recognition for the purposes of net metering; and
- Allow participants with existing net metering agreements (prior to the effective date of the proposed updated Regulation) the option of entering into new agreements which reflect the updated provisions of the Regulation, or of maintaining their existing agreements.

The proposed amendments are intended to provide increased opportunities for Ontarians to generate renewable energy onsite to meet their own energy needs and to help homes and businesses transition to a low-carbon economy.

This proposal includes consequential amendments from the Ministry of Finance to the definition of a net metered generation facility in Ontario Regulation 493/01 Debt Retirement Charge (DRC) – Rates and Exemptions. The regulation defines a 'net metered generation facility' as having "a maximum cumulative output capacity of not more than 500 kilowatts." The proposed amendments is to strike the capacity limit from the definition in order to sustain the exemption of all net metered generators from having to pay the DRC on the portion of the self-generated electricity that they self-consume, an exemption made at the time the Net Metering Regulation was passed.

Commented [MC2]: MOF please review

Why does Ontario need these changes? Why now?

Implementation of the proposed updated Net Metering program would coincide with the winding down of the FIT and microFIT programs. Renewable energy industry stakeholders have requested implementation of the updated program by July 2017, in advance of microFIT and FIT programs ending, which would ensure a smooth transition between programs and provide business continuity for the renewable energy industry.

What is the expected cost to government?

There is no additional cost to government associated with this proposal.

The costs to administer net metering are recovered by the ratepayers, through electricity rates approved by the OEB. There are a number of factors that would affect uptake of the program so the exact cost to ratepayers is not known at this time, however the estimated maximum is \$1.65 million/year. This would mean a maximum increase of ~~XX~~ to an average household/year.

Commented [MC3]: Energy to provide

What are the key steps to deliver this proposal?

Net metering program enhancements may be proposed in two phases, with this proposal as the first phase. If this proposal is approved, electricity distributors would be responsible for implementing the updates, with regulatory oversight from the Ontario Energy Board (OEB), and the net metering program updates would be in place by July 2017.

The ministry of Energy is currently consulting with stakeholders on a potential second phase of enhancements that could be brought forward in the spring of 2017. The second phase could include legislative proposals or more administratively complex enhancements (that would require more work with LDCs and other stakeholders). The first phase of enhancements could not wait to be bundled with the second phase, as the intent is to have program updates in place by July 2017.

How will the changes be communicated?

[tbc with ENERGY]

Commented [MC4]: Energy – how will the proposed changes be communicated?

Terms you need to know

- **Net Metering** – A billing arrangement that allows customers to generate renewable energy onsite for their own use, and receive bill credits for any surplus electricity sent to the grid.
- **FIT (Feed-in Tarrif) program** – a generation purchasing program for renewable energy generation facilities up to 500 kilowatts (kW). The program provides a guaranteed price for 100% of electricity provided to the grid over a 20-year contract term.
- **microFIT program** – a stream of the FIT program that is designed specifically for homeowners and other eligible participants to install projects 10kW and less in size.
- **Grid Parity** – the point when the cost to a consumer of installing and operating a solar PV system over its lifetime is equal to or less than the cost of paying their electricity bill over the same period of time.
- **OEB**
- **LDCs**

Cabinet Office Analysis

The following proposal contains no variances from current government direction.

The proposal is responsive to the 2013 LTEP and is intended to provide increased opportunities for Ontarians to generate renewable energy onsite to meet their own energy needs. Ontario has had a Net Metering program in place since 2005 and all electricity distributors are required to offer net metering to customers on request. Through this proposal there would be benefits to the electricity system and ratepayers (e.g. providing incremental new clean and renewable electricity, deferring or avoiding more expensive electricity investments, and enabling grid reliability and other operational services through the use of energy storage). The proposal also supports initiatives under the Government's 2016-2020 Climate Change Action Plan (CCAP) (e.g. in broadening eligibility and removing barriers to new technologies, the proposed

amendments would help Ontario homes and businesses transition to a low-carbon economy).

Anticipated outcomes are that:

- increasing the period that customers can carryover net metering bill credits for any surplus electricity sent to the grid from 11 to 12 months would support homeowners in achieving near net zero and net zero energy homes by XXX.
- Removing the 500 kW project capacity size limit would allow larger commercial, institutional and industrial customers who have peak electricity demand greater than 500 kW to participate in net metering. These larger customers tend to self-consume a higher proportion of generated electricity than residential customers due to higher daytime (peak time) electricity usage.
- Enabling customers to match energy storage systems with renewable energy systems would allow customers to store electricity from the renewable energy generation facility and from the distribution system, and send any excess electricity to the distribution system. Energy storage options can encourage customers to shift their demand to off-peak periods, and can benefit the electricity system by reducing grid demand during peak periods.

Commented [MC5]: Energy – why does a change of one month have a large impact?

Increased renewable energy under net metering also has a number of additional benefits that align with the goals of Ontario's Climate Change Action Plan and the transition to a low-carbon economy, including direct and measurable Greenhouse Gas emissions.

While the phased approach to updating the net metering program allows the above outcomes, the industry is keen to see the entire suite of program updates. With this phased approach, certain complaints from current participants would not be resolved (transition to time-of-use compensation for residential and small business customer, community and virtual net metering and third party ownership).

Commented [MC6]: Energy – please outline the reason why each of these cannot go forward at this point

Remote and First Nations distributors are currently exempt from offering the regulated net metering program because of their unique technical and cost considerations. This proposal would not alter the exemption. These communities may develop and offer their own net metering programs.

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Commented [MC8]: Energy – please expand, provide examples

Commented [MC9]: Energy – how would these programs work, how would they be connected to the larger system?

Linkages:

- **2013 Long Term Energy Plan** – committed to examining the potential for microFIT to transition from a generation purchasing program to a net metering program.
- **Climate Change Action Plan (CCAP)** – outlined incentives and rebates for homes and businesses to install low carbon-technology and work towards net zero emissions. Net metering can assist in developing net-zero building and communities by allowing customers to generate clean electricity onsite, while maintaining access to a reliable electricity supply.
- **July 2013 Ontario's Conservation First White Paper** – proposed the idea that evolution of microFIT to a net metering program could be an effective conservation effort.

- **Other jurisdictions** - There is a general trend towards the use of net metering programs in other jurisdictions. Net metering approaches continue to evolve in response to concerns that net-metered customers do not pay their fair 'cost of service', shifting costs to other consumers (some US utilities continue to propose or implement increased fixed charges, minimum bills or new charges on solar customers – in 2015 61 utilities in 30 states proposed increasing charges for all residential customers). The portions of the proposal that do not align with best practices in other jurisdictions are XX and the rationale for this is XX.

Commented [MC10]: Energy to provide

Delivery:

The enforcement mechanisms for offering net metering programs are XX. Electricity distributors are required to report their performance annually through a 'performance scorecard' overseen by the OEB.

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Commented [MC12]: Energy to provide details on connection to net metering performance and reporting

Stakeholder response:

The ministry of energy held engagements in Summer and Fall 2015 and posted the proposal on the Environmental and Regulatory Registries in August 2016. They received XX responses from the Registries and the overall message was that XXX. The ministry also sought guidance and input from an Advisory Working Group, composed of representatives from the renewable energy industry, as well as electricity distributors, the Ontario Energy Board and the Independent Electricity System Operator.

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- The general public is expected to respond by XXX
- Prospective and new program participants are expected support the proposal because of increased opportunities to generate and self-consume renewable energy.
- Electricity Distributors are expected to support the proposal and may see higher administration costs from an increased volume of net metering accounts. The Distributors would be protected from lost revenues by the OEB's decision to move to a fully fixed residential rate design.
- The renewable energy industry is expected to support the proposal because of the proposed removal of the regulatory barrier to energy storage.

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The ministry of finance posted the consequential amendment on XX for XX days with 0 responses.

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Risks:

- Stakeholder risk: compensation sent to the electricity grid may provide a small subsidy to generators in certain areas of the province, which may result in cost-shifting to other electricity consumers (who will pay for the subsidy through their rates)
- Implementation risk: electricity distributors would be unable to implement all updates by the proposed in-force date of July 1, 2017. The ministry's mitigation plan is to

Commented [MC19]: Energy – are there other risks?

Commented [MC20]: Energy – which areas? Is there an estimate of which generators? Would ratepayers generally be aware of this subsidy?

Commented [MC21]: Energy – what is the likelihood of this?

continue the OEB practice of allowing exceptions and remedy periods where the OEB works with distributors as they aim towards compliance.

- Stakeholder risk - Hydro One 7% rule

Commented [MC22]: Energy – is there a strong stakeholder expectation here?