

Communications Snapshot

Communications Objectives

- The ministry's objective is to communicate the changes to Ontario's net metering regulatory framework that (if approved) can support customer choice and enable new opportunities for businesses.
- Electricity customers should be made aware that the government has expanded their options for participating in net metering and using renewable energy systems, and also that there are appropriate consumer protections in place to safeguard their interests and restrictions in place to ensure the appropriate siting of renewable generation facilities. Electricity customers should also be made aware of the information they need, such as the appropriate links to their local distributor, in order to take the next step in investigating whether net-metering is a viable option for them.

Context

What is the Initiative?

- The Ministry of Energy is providing Ontarians with new choices for participating in net metering and renewable energy generation. Electricity customers would now have more choice as the Ministry of Energy is:
 - Enabling third party ownership of net-metered facilities; and
 - Enabling virtual net metering demonstration projects.
- Net metering is a billing arrangement between an electricity distributor and a customer. Under a net metering arrangement, an electricity customer, such as a property owner or business, can generate electricity from a renewable source for their own use while still drawing electricity from the local distribution grid when needed. Each billing period, the electricity distributor credits the customer's electricity bill for the value of the electricity they supplied to the grid, offsetting the cost of the electricity they consumed from the grid.
- This initiative relates to the government's commitments communicated through the Minister of Energy's 2016 Mandate Letter and the 2017 Long Term Energy Plan. In the LTEP specifically, the government committed to:
 - Enabling third party ownership of net metered generation facilities, subject to appropriate consumer protection, and;
 - Enable and support the deployment of virtual net metering demonstration projects.
- **Third party Ownership**
 - The Ministry of Energy has now expanded choice to the customer by allowing other entities to own and operate the renewable electricity facility used for net metering. This opens up opportunities for electricity customers that may have previously been limited from participating in net metering due to the upfront costs or complication of purchasing and installing electricity generating equipment.
- **Virtual Net Metering Demonstration Projects**
 - In a virtual net metering 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 built up from electricity conveyed to the distribution system from the generation facility are applied to associated customer accounts and help to reduce their electricity bills.

- **Consumer Protection**

- The Ministry of Energy is ensuring that consumers who are considering entering into an agreement involving the new third party ownership (TPO) business model for net metering purposes would be able to make an informed decision, have protection from unfair business practices and recourse through the Ontario Energy Board if they believe they have been subject to unfair business practices by retailers based on the supply by the TPO retailers of electricity.
- The Ministry of Energy is also implementing a series of standard acknowledgements for regular (i.e. non-TPO) net metering customers to be made by the customer to their distributor. These acknowledgements will confirm the customer's knowledge of key pieces of information about any agreements associated with the generation facility being used for net metering, to ensure they have been able to make an informed decision..

- **Siting**

- The Ministry of Energy is limiting the potential for poorly sited /“bad neighbour” projects through siting rules such as a 15 meter setback for non-rooftop solar projects and restrictions on projects being located in prime agricultural areas.

What is the problem and how are we solving it?

- The current net metering regulation limits customer choice and the market in particular ways, including;
 - Limiting the ownership and operation of the generation facility to only the electricity customer, which only enables those customers who can afford to purchase or finance a generation facility; and
 - Not enabling any business models where other entities (retailers) can own or operate the generation facility.
- Expanding the scope of permissible business models is expected to have a positive impact on the renewable energy development industry during a time when other business opportunities through the Large Renewable Procurement (LRP), Feed-in Tariff (FIT) and microFIT (mFIT) Programs have ended with the sunset of those initiatives.
- By enabling third party ownership of net-metered generation facilities and virtual net metering demonstration projects the Ministry is addressing market barriers for businesses as well as providing additional options for electricity customers to use net metering. The Ministry is also helping to ensure that learnings are derived from virtual net metering demonstration projects that would inform future net metering and grid modernization policy in the province.
- In order to protect consumers participating in these newly enabled net metering business models, the Ministry is also proposing to align the existing consumer protection regulatory framework with these new models. This would address potential problems of consumers being unfairly taken advantage of.
- The LRP, FIT and microFIT programs included residential and agricultural land restrictions. These restrictions do not currently exist for net metering projects (and other projects developed outside of a procurement program). The

Ministry is proposing to address potential siting problems by implementing a suite of appropriate siting restrictions for certain classes of projects (e.g. non-rooftop solar projects).

Target Audience

Target Audience	Position on the Initiative
Electricity Distributors	• Supportive of government enabling third party ownership and virtual net metering demonstration projects. • Supportive of regulating third party owners to provide protection for customers. • Neutral on siting regulations.
Electricity Customers	• Overall, electricity customers were supportive of government enabling third party ownership and virtual net metering demonstration projects. • Reactions anticipated to be positive, as this initiative provides more options for consumers to manage electricity costs.
Renewable Energy Industry	• Supportive of government enabling third party ownership and virtual net metering demonstration projects. • Supportive of having consumer protection for third party ownership models, though, less enthusiastic of requiring the ECPA and Electricity Retailer Code of Conduct apply to these models given complexity and restrictiveness. • Not supportive of proposed siting regulations, industry is seeking less restriction on siting.

Key Messages

- Ontario is enhancing the province's net metering framework to enable third party ownership and virtual net metering demonstration projects. These changes will increase opportunities for electricity consumers to participate in net metering, broaden customer-utility relationships, support decarbonization of the economy, and encourage new distributed sources of clean energy supply.
- In support of these changes, the province is also aligning existing consumer protection frameworks with the newly enabled third party ownership business models. This will help ensure that consumers are treated fairly and have appropriate recourse available to them.
- The government is also introducing siting restrictions for certain types of renewable generation projects to ensure that projects are sited appropriately in relation to residential and prime agricultural areas.

Strategic Approach

- A low-profile, targeted approach is recommended.

- No proactive communications tactics are planned at this time, however, the Ministry of Energy does plan to make updated information available through several channels in order to explain the changes to the net metering regulatory framework, and, to direct people to appropriate sources of information such as the Ontario Energy Board, the Independent Electricity System Operator, and local electricity distributors.

- **Regulatory Decision Notice**
 - The Ministry of Energy would post a decision notice on the Environmental and Regulatory Registries to communicate the substance of the final regulations to stakeholders.
 - The decision notice would also speak to the feedback that was received from stakeholders and how this feedback was or was not incorporated into the final regulations.

- **Webpage Updates**
 - The Ministry of Energy would post updated material to the net metering webpage of the Ministry of Energy's website.
 - The goal would be to provide a single source of accurate information on the changes being implemented and the proper processes to follow in order to take part in net metering.
 - This single source of information should be accessible to the majority of electricity customers, all electricity distributors, the OEB and the Independent Electricity System Operator so they can refer to it for information, or to link to from their own websites. For this reason the Ministry of Energy considers use of the Ministry of Energy website to be the most appropriate resource.
 - For example, electricity customers would need to engage with their local electricity distributor in order to apply for connection and in order to be net-metered. Electricity customers may need to engage with the OEB if they encounter consumer protection issues with third party owner that they are contracting with. Electricity customers may also need to engage with the Independent Electricity System Operator if they are interested in participating in a virtual net metering demonstration project.
 - OEB would likely produce some changes to their website, to ensure any relevant consumer protection retailer code changes are reflected and available to retailers and consumers on their webpage.

- **E-Blast to Stakeholder List**
 - The Ministry of Energy intends to distribute an email to approximately 850 stakeholders notifying them of the posting of the approved regulations and decision notice on the Environmental and Regulatory Registries. The e-blast would also notify stakeholders that an updated Ministry of Energy webpage is being developed which would include information for potential customers and businesses.

- **Guidance Resources**
 - The Ministry of Energy is also considering the development and release of additional guidance resources that would assist electricity customers in evaluating the benefits and risks of net metering. These resources would likely take the form of a document to be made available online and in hard copy.

- This document would seek to explain the regulations in laymen terms and help electricity customers navigate the process of net metering.
- These guidance resources would be developed and released by October 1, 2018 to align with the proposed in-effect date of the net metering and consumer protection regulatory amendments.
- The Ministry of Energy would work closely with the OEB to develop these resources. The resources may ultimately be hosted on the OEB website.

Issues & Mitigation

Issue/Consideration	Mitigation Strategy	Key Message
• Consumer protection: There is a potential that third party owners/operators may try to use misleading or questionable tactics to encourage customers to sign contracts.	• ENERGY and the OEB are taking steps to ensure appropriate consumer protection and consumer education measures are in place for implementation of third party ownership and other recent changes to net metering regulation.	• Ontario is committed to providing strong protection for consumers. • The Ministry of Energy would be working with the OEB, electricity distributors to ensure consumers get the information they need to make informed decisions and that third parties conduct their business in an ethical manner and treat potential customers fairly.
• Potential ratepayer impacts: There is concern that net metering can shift system costs (ex. distribution system cost and Global Adjustment) to non-net metered customers.	• ENERGY can communicate to the public that, based on Ministry analysis, the expected impact on rates would be negligible and that it would be monitoring implementation of the updated net metering regulation to ensure corrective action can be taken by the Ministry or the OEB in a timely manner as appropriate. As well, ENERGY plans to undertake a regular three-year evaluation of net metering to ensure that any issues are identified and addressed. • The OEB has implemented policy to phase in fixed distribution charges on residential electricity bills, which would address cost-shifting issues for non-net metered residential customers. Distribution charges, currently a blend of fixed and variable (per kilowatt-hour) rates would be an entirely fixed monthly service charge by 2019.	• The Ministry of Energy expects no significant rate impacts associated with the updated net metering policy, due in part to recent rate design decisions by the OEB to phase-in fixed distribution charges on residential electricity bills. This would ensure that net-metered customers continue to pay their fair share for being connected to the grid. • In fact, it is expected that, relative to generation purchasing programs such as the Feed-In Tariff programs, the transition to net metering would be a more cost-effective approach to supporting renewable energy and customer choice. • Distributed renewable energy can benefit the system by offsetting peak demand.

	The OEB is continuing rate design reform with its next phase focusing on all commercial and industrial classes in electricity.	
Some industry proponents may be concerned that the proposed net metering updates did not go far enough to provide opportunities for industry by regulating third party owners as energy retailers, and not fully enabling virtual net metering.	- ENERGY would respond to industry and other stakeholder feedback on the importance of enabling third party ownership with appropriate protection for consumers in the posted decision notice. - The Ministry would also communicate that while opportunities for virtual net metering demonstration projects are being introduced, that the Ministry and IESO must consider the costs and benefits of demonstration projects before considering implementing virtual net metering full-scale.	- The Ministry of Energy is taking a measured approach that would create opportunities for broader participation in net metering through eligibility of third party ownership while still protecting consumers entering into these new arrangements. - The updates would also create opportunities for innovation through virtual net metering demonstration projects that would help inform future direction for net metering and grid modernization policy.
Some distributors may be concerned about cost impacts to implement the proposed changes.	- The Ministry of Energy has taken a measured approach to updating the net metering framework and considered distributor input received through stakeholder engagement. Updating the net metering regulation to allow third parties to own and operate net metered generation would have negligible cost impact on distributors. - The OEB monitors costs to distributors through the normal rate filing process. If costs are being incurred, the distributor would have the ability to apply to the OEB to recover those costs in rates.	- It is anticipated there would be minimal additional costs for distributors to continue to deliver net metering to customers with the proposed changes. - In response to concerns expressed by distributors during stakeholder engagement, the Ministry of Energy has taken a measured approach with the proposed changes to the net metering regulation.
Some distributors may not be prepared to offer net metering to their customers due to a lack of experience with, and capabilities to administer net metering requests; or distributors that do offer net metering may not be able to offer it to some customers due	- The Ministry of Energy is coordinating with the OEB to ensure distributors are in compliance with the regulatory requirements and would monitor any issues related to delivery of net metering. - The Ministry of Energy would be coordinating with the OEB and	- The OEB monitors compliance of electricity distributors with the net metering regulatory requirements. - The Ministry of Energy would be coordinating with the OEB and stakeholders to ensure a consistent approach to net metering across the province.

to connection capacity constraints.	distributors to ensure that information on net metering and connection of net-metered facilities is clear and consistent across distributors. The communication approach identified above would help provide this consistent information.	Electrical grid capacity constraints in some parts of the province limit the amount of generation, including net-metered generation, which can be connected to a local distribution system. For more information about connecting a renewable generation system and any limitations that may exist for specific net metering projects, consumers should contact their electricity distributor.
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Tactics & Rollout

- The Ministry of Energy would roll out the resources identified in the Strategic Approach section above in the following manner.
 - **Regulatory Decision Notice**
 - The regulatory decision notice would be posted roughly 2 weeks after Cabinet approval for the proposed regulatory changes is granted (pursuant to regulation being filed on e-laws). Target Date: end of April 2018.
 - **E-Blast to Stakeholder List**
 - The e-blast to stakeholders would be distributed simultaneously with the posting of the regulatory decision notice. Target date: end of April 2018.
 - **Webpage Updates**
 - Webpage updates would be posted as soon as possible after Cabinet approval for the proposed regulatory changes is granted. Target Date: end of May 2018.
 - **Guidance Resources**
 - If developed, the additional guidance resources would be posted in advance of October 1, 2018 (the proposed in-effect date of the net metering and consumer protection regulatory amendments).

Evaluation

- Inquiries to the Ministry of Energy relating to the proposed regulatory changes would be tracked to inform the creation of ongoing webpage updates and the proposed additional guidance resources. These inquiries should offer insight into areas of the framework that remain unclear to electricity customers, distributors, and businesses.