**Briefing Note**
**Ontario's Net Metering Program**

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**Purpose:**

To provide information on Ontario's Net Metering Program, including proposed program updates.

**Overview:**

- Net metering is a billing arrangement which allows customers to generate renewable energy onsite for their own use, and to receive bill credits, that can be carried forward for any surplus electricity they send to the grid.
- Net metering is expected to help facilitate a transition to near-zero and net-zero energy buildings, an element of Ontario's Climate Change Action Plan (CCAP).
- As identified in Ontario's 2013 LTEP, the Ministry of Energy is updating the net metering program, responding to the 2013 LTEP commitment to evolve microFIT to net metering.
- The Ministry has considered feedback received from stakeholder consultations and engagements held over Summer/Fall 2015 and posted proposed updates to Ontario's 2005 Net Metering Regulation on the Environmental and Regulatory Registries on August 19, 2016 for a 58 day comment period, ending October 6, 2016.
- The Ministry is planning to consult with stakeholders in early 2017 on additional program design elements that may require legislative amendments (amendments to the Ontario Energy Board Act, 1998).
- The intent is that the updated net metering program will offer choices to consumers to offset their electricity use with renewable energy sources, provide value to the electricity system, and support Ontario's climate change objectives.

**Current Net Metering Program:**

- Ontario has had a Net Metering Regulation (O. Reg. 541/05) in place since 2005, which requires local distribution companies (LDCs) to offer net metering to customers on request.
- Under the current regulation, electricity exported to the grid is credited at the same volumetric charges that a customer pays for the consumption of electricity.
    - For most residential and general service customers <50 kW in electricity demand, their commodity price will currently be based on the Tiered Pricing rate structure).
- Currently, a customer is eligible to net meter if, among other requirements established in the regulation:
    - Electricity is primarily for customer's own use.
    - Electricity is from a renewable system <500 kilowatts (kW).

    - Electricity is conveyed directly to load before being sent to the distribution system.
- Uptake of net metering has been limited since the Feed-in-Tariff programs were introduced in 2009.
- As reported by local distribution companies (LDCs) to the Ontario Energy Board (OEB) for 2015, there is approximately 9 MW of net metering capacity in Ontario in 2015, representing approximately 680 facilities.
    - This represents a small increase of approximately 2 MW from the ~7 MW of capacity and ~500 facilities reported for 2014.
    - As of 2015, the average project size was 13 kW. 80% of facilities and 70% of capacity were solar PV.
    - Below is a breakdown of net metering facilities and capacity by renewable energy type:

| Type | Number of Net Metering Facilities (2015) | Total Net Metering Installed Capacity (kW, 2015) |
|---|---|---|
| Biomass | 3 | 100 |
| Solar PV | 550 | 6,191 |
| Water | 2 | 10 |
| Wind | 129 | 2,771 |
| **TOTAL** | **684** | **9,072** |

Updating Ontario's Net Metering Program

- Ontario's 2013 LTEP committed the Ministry to "examine the potential for microFIT to transition from a generation purchasing program to a net metering program" and recognized the opportunity to expand and enhance the existing net metering program.
- Between August and October 2015, ENERGY conducted stakeholder consultations on a concept proposal for the updated program, which included a background webinar, in-person sessions and a request for written feedback.
    - The proposal was for a long-term enabling framework which would seek to maximize value to the electricity system and to all electricity ratepayers.
- Government is taking a staged approach to the implementation of its plan to transition to the updated net metering framework:

- Part 1 (Near-Term) Regulatory updates currently posted to the Environmental and Regulatory Registries
  - Posted on August 19, 2016 for a 48-day comment period, and closed October 6, 2016.
  - The government is now considering the feedback received.

- Part 2 (Longer-Term) Other program elements requiring further consultation/study and potentially legislative amendments
  - ENERGY will initiate consultations in early 2017 on community net metering and third-party ownership of net-metered facilities
  - ENERGY will initiate a cost-benefit analysis to determine whether to proceed with investments in Ontario's Meter Data Management and Repository, and LDC billing systems, to enable province-wide TOU billing for residential and general service customers with demand under 50 kilowatts (kW).

<u>Part 1: Proposed Updates to Ontario's Net Metering Program</u>

- The proposed "Part 1" amendments to the 2005 Net Metering Regulation, as posted on the Environmental and Regulatory registries, are as follows:
  - Maintaining compensation at volumetric electricity charges.
  - Require electricity distributors to carry forward positive bill credits for net-metered accounts for a consecutive 12-month period. Remove the requirement that the equipment used to generate electricity be no greater than 500 kilowatts (kW), based on the rated maximum output capacity of the equipment. The intent is to enable larger customers to right-size renewable energy systems to their load. Larger customers tend to self-consume a higher proportion of generated electricity due to higher daytime loads, aligning with the objective to match generation to local demand, which can help reduce local load and related infrastructure needs. The requirement that the generator must generate power primarily for their own use and the proposed 12-month credit reset period will encourage right-sizing for all customers.
  - Establish a billing method for Single-Entity Virtual Net Metering (credit transfers between multiple electricity accounts held by the same person or corporation), subject to: account meters being located within the same electricity distributor service territory and within a maximum distance (e.g. a 3 kilometer radius). The Ministry of Energy sought feedback through the August 19, 2016 registry postings regarding limitations on the use of the electricity distribution system for Single-Entity Virtual Net Metering projects. Allowing for the use of energy storage when paired with renewable energy.

    - Updating opt-in terms so that those who entered into net metering agreements prior to the proposed updates can choose to either maintain their existing agreements, or enter into new agreements based on the updated terms.
- Nothing in the proposal would change the condition that the connection of a net metering facility is subject to electricity distributor license conditions governing the connection of generation facilities, including applicable provisions contained in the OEB Distribution System Code.
- The amendments were proposed to be in force by July 1, 2017.

<u>Part 2: Additional Potential Updates to Ontario's Net Metering Program to be Explored</u>

- The Ministry of Energy plans to begin consultations in early 2017 on additional net metering program design elements that may require legislative amendments (amendments to the Ontario Energy Board Act, 1998).
- The Ministry had originally posted on the August 19, 2016 Environmental Registry posting that it planned to consult in Fall 2016 on the following program design elements:
    - Third-Party Ownership: The eligibility of third-party companies to own and operate renewable energy systems and sell power to net metered customers.
    - Community Net Metering: The allowance of credit transfers from a shared generation facility to the billing accounts of multiple entities.
- If there is a decision to proceed with additional program updates, ENERGY would aim to have all necessary legislative and regulatory amendments in force by July 1, 2018.
- Timing for TOU implementation is to be determined and would depend on results of the cost-benefit analysis.

**Timeline:**

- If approved, ENERGY has proposed to have Part 1 updates in place by July 1, 2017.
- The Ministry is planning to consult with stakeholders in early 2017 on additional program design elements that may require legislative amendments (amendments to the Ontario Energy Board Act, 1998).
- If there is a decision to proceed with additional program updates, ENERGY would aim to have all necessary legislative and regulatory amendments in force by July 1, 2018.