MINISTRY OF ENERGY'S
ENVIRONMENTAL REGISTRY TEMPLATE FOR DECISIONS

Environmental Registry Decision Posting Best Practices:

- Clearly describe the decision
- Clearly describe the effect of public participation on decision-making on the proposal
- Include working links to key supporting information
- Ensure sufficiently detailed

Environmental Registry Proposal Posting Number: 012-8435

Decision:

On February 8, 2017 Ontario filed O. Reg. 24/17, which amended O. Reg. 541/05 (Net Metering) made pursuant to the *Ontario Energy Board Act, 1998*. The amended regulation is published on e-laws, and the amendments will come into force on July 1, 2017.

The amendments include:

- Clarifying the description of the method used to calculate bill credits. This includes explicitly stating that electricity retailers are not responsible for crediting net metering participants for volumetric Global Adjustment charges – that is the responsibility of the local distribution company.

- Clarifying the carryover period for bill credits has been extended to a consecutive 12-month period.

- Removing the 500 kilowatt (kW) project capacity size limit to allow for any sized renewable energy generation facility (aka "system"), subject to the system being used primarily for the generator's own use.

- Explicitly enabling net-metered customers to pair energy storage with renewable energy systems. For clarity, storage of electricity from the renewable energy generation facility and from the distributor's distribution system will be permitted, as will the remittance of stored electricity to the distribution system.

- Allowing participants with existing net metering agreements the option of entering into new agreements which reflect the updated provisions of Ontario Regulation 24/17, or of maintaining their existing agreements.

Commented [MC1]: If this is not acceptable to CRED, please edit to "is a" instead of "at a" to avoid awkwardness

The amendments are intended to support customer choice in generating clean, renewable energy, help reduce load on the electricity system and enable innovative technologies and customer-utility relationships. Innovative technologies include energy storage, and other technologies that may be enabled by the use of energy storage, such as home energy management systems.

Amendments to clarify the bill credit carryover period consecutive 12 month period and to remove the 500 kW capacity limit are also intended to support Ontario homes and businesses in transitioning to a low-carbon economy, in support of Ontario's Climate Change Action Plan. Establishing that customers can carry over bill credits for a consecutive 12-month period is important as a Net Zero Energy building is defined by Natural Resources Canada as a building that produces "at least as much energy as it consumes on an *annual* basis."[i]

Commented [MC2]: Same as above

Variance from August 19, 2016 Proposal Posted to Environmental and Regulatory Registries ("the registries"):

The August 19, 2016 proposal included that the Ministry would endeavour to simplify ("put in plain language") the description of the method used to calculate bill credits. This proposal was put forward in response to questions from prospective participants on the billing formula, and to general stakeholder feedback that the net metering program should be simple. However, due to the need for precision and to capture net metering billing practices for multiple rate classes, the Ministry has not replaced the current mathematical billing formula with a plain language description.

The Ministry did clarify language related to billing in several places in the amended regulation. For example, the amended regulation states that electricity consumption for the purposes of "B," "C" and "D" is to be measured in kilowatt hours, and included minor edits to the definition of the letters in the billing formula, for clarity and precision. Further, the Ministry and the Ontario Energy Board (OEB) will work to improve the availability of net metering program information and will consider the need to provide additional clarity on the billing method, outside of the regulation.

Single-entity virtual net metering was part of the original proposal posted to the registries on August 19, 2016. In response to stakeholder feedback, the Ministry decided to defer consideration of amendments enabling Single-Entity Virtual Net Metering, in order to engage in further stakeholder and industry consultations. This decision was communicated through an update to the registry postings on December 22, 2016.

Implementation:

As a result of the amendments, electricity distributors will need to take steps to comply with the amended regulation which will be in force July 1, 2017.

As stated in the August 19, 2016 registry postings, the OEB will be exploring steps to facilitate implementation of the updated net metering program, such as:

- Improving the availability of net metering program information.
- Developing a standardized net metering application and agreement, with consideration for streamlining processes.
- Collecting net metering information from electricity distributors at more frequent intervals to monitor implementation of the initiative.

In addition to the proposed regulatory amendments, the Ministry will:

- Improve the availability of net metering program information. The Ministry is currently working to post expanded information on the net metering program on the Ministry's webpage.
- Undertake a cost-benefit analysis in 2017 to help inform whether the required investments should be made to enable province-wide Time-of-Use billing for these customers.
- Undertake a cost-benefit evaluation of the program every three years, if required, coinciding with the Long-Term Energy Plan cycle.

Questions regarding the amendments can be addressed to the Ministry of Energy's Renewable Energy Facilitation Office (REFO). REFO advisors can be reached by e-mail at REFO@ontario.ca and by telephone at 1-877-440-REFO (7336) or 416-212-6582.

Questions regarding implementation of the updated program, for example, by distributors, can be addressed to the OEB at industryrelations@ontarioenergyboard.ca or 1-877-632-2727.

Effects of consultation and engagement on this decision:

The Ministry of Energy undertook a phased engagement process to solicit feedback on and inform the updates to the net metering program.

The Ministry established an Advisory Working Group in July 2015 with representatives from the renewable energy industry, electricity distributors and representatives from the Independent Electricity System Operator and OEB to help inform program development and to provide input on implementation considerations.

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The Ministry's Advisory Working Group received regular updates on the Ontario Solar Electricity Distributed Generation Task Force (DGTF), led by the Canadian Solar Industries Association (CanSIA), which focused on developing a post-Feed-in Tariff program strategy.

The Ministry sought feedback on a program concept proposal through an engagement process held from August to October 2015, which involved a background webinar, four in-person sessions and a request for written submissions.

Attendees at these sessions included representatives from electricity distributors, municipalities and co-operatives, as well as from the renewable energy, energy efficiency and energy storage industries. Invitations were extended to Indigenous communities and organizations.

The Ministry posted its proposed regulatory amendments and other proposed program updates to the registries for public comment on August 19, 2016 for a 48 day period. The Ministry received 33 comments in response to the proposal. Submissions were received from electricity utilities, the renewable energy industry, individuals, an electricity retailer and a municipality.

There was general stakeholder support for the scope of the Ministry's proposed regulatory amendments, particularly from the renewable energy industry, including for: clarifying the credit carryover period to a consecutive 12-month period; increasing the eligible size limit for net metering generation facilities beyond 500 kW; and for enabling the use of energy storage through the program.

Electricity distributors raised the issue of the interdependencies between the net metering program and the Ontario Energy Board's rate design initiative for commercial and industrial customers. This was highlighted in particular for the proposal to remove the 500 kilowatt capacity limit in advance of the OEB completing the rate design for commercial and industrial customers. The OEB has communicated to the Ministry that the OEB will be considering the amended net metering regulation in its rate design proceeding.

Stakeholders were supportive of enabling bi-directional energy storage for net metered customers, and requested greater clarity on allowable storage configurations. To address this request, the Ministry clarified in the amended regulation that customers may store electricity from the renewable energy generation facility and from the distribution system, and send any excess electricity to the distribution system from either source for bill credit.

During the engagements, individuals and the renewable energy industry also expressed strong interest in residential and small business net-metered customers having the option to be compensated at time-of-use rates. Given that this would require investments in the IESO Smart Metering Entity's Meter Data Management and Repository (MDM/R) and electricity distributor billing and communications systems, the Ministry is undertaking a cost-benefit analysis in 2017 to inform a decision on whether these investments would be cost-effective for electricity ratepayers.

The Ministry considered all comments received throughout the engagement process, including those submitted through the Environmental Registry, in amending the regulation.

Further consultations and engagements:

Several potential program enhancements that received stakeholder support during the engagements were identified as requiring further examination and engagement due to perceived implementation challenges and potential electricity system impacts. These included eligibility of Third Party Ownership of net-metered generation facilities and virtual net metering models, including Single-Entity Virtual Net Metering and Multi-Entity Virtual Net Metering. The Ministry is engaging stakeholders and Indigenous communities and organizations in 2017 as part of its examination of these potential program updates.

Third-Party Ownership involves a separate entity owning and operating a renewable energy system at a customer site and selling electricity to the customer. In this scenario, a customer that is participating in a net metering arrangement with their LDC would receive bill credits for electricity delivered to the grid from the third-party operated renewable generation system.

Virtual Net Metering involves the distribution of net metering credits either; across multiple accounts held by an individual or corporate entity (Single-Entity Virtual Net Metering), or; across multiple accounts held by multiple individuals or corporate entities associated with a shared generation facility (Multiple-Entity Virtual Net Metering). Virtual Net Metering can also involve utility-owned or third-party developer-owned business models.

Number of comments received by mail or email: 10

Number of comments received through the Environmental Registry: 23

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[i] Natural Resources Canada (2015) "Net Zero Energy Housing," Accessed at: http://www.nrcan.gc.ca/energy/efficiency/housing/research/5131.