

Friday, October 23, 2015

Ministry of Energy
E-mail: feedback.to.cee@ontario.ca

RE: Feedback to the Ministry of Energy's Consultation on Net Metering/Self-Consumption Concept Proposal

To the Ministry of Energy:

The Ontario Sustainable Energy Association (OSEA) is a member-based organization championing the transition of Ontario's Energy System to a decentralized, integrated and inclusive energy system that is built on portfolios of sustainable energy generation and conservation technologies in the areas of electricity, heating, cooling, and transportation. Our diverse membership is made up of community, public and private sector entities. On behalf of the OSEA membership, I would like to thank you for inviting us to the consultation on Net Metering/Self-Consumption. OSEA's comments on the Concept Proposal and consultation process are as follows:

Value of Solar Tariff (VOST) vs. Location Adder:

In general, the OSEA membership agrees with the approach taken by the Ministry of Energy to improve the Net Metering system and to encourage self-consumption for microFIT projects after 2017. By then it is expected that the retail cost of energy per kW hour will be closer to the cost of generation, ensuring that projects can still be viable, especially if additional compensation is provided through value-based compensation or location adders, for those projects that generate additional benefits to the overall electric grid.

Considering, however, the complex nature of a VOST and the room that it leaves for speculation and debate, the OSEA membership recommends using a more transparent system that uses retail rates that reflect time of use/generation along with location adders.

If, however, a VOST was to be used, OSEA recommends recalculating it regularly, on an annual basis. However, annual recalculation would require considerable work and may reduce the incentive for new participants, because it will reduce certainty in the return rate. Reduced certainty will also generate higher costs for financing (or perhaps preclude it entirely). As a result a fixed rate, or less frequent recalculation, possibly every 5 years, would be preferred.

Furthermore, if there is to be a new agreement, owners of existing Net Metering generating systems should be offered the choice between maintaining their existing arrangement/contract or moving to a new VOST system, ideally. Only if the latter were financially advantageous would it be justifiable to make it compulsory to terminate existing Net Metering contracts (and maybe not even then).

In terms of what should be included in a VOST calculation, OSEA members think that it is worth considering that future costs need to be part of the planning for retail rates. The calculation of retail rates should be reflecting both sunk costs AND expected future costs, thus giving a proxy of VOST already.

Changes to the Distribution System Code:

As a new Net Metering system is being considered, OSEA would like to remind the Ministry of the current 1% limit for Net Metering capacity of an LDC's peak load averaged over 3 years, as per Section 6.7.2 of the

Distribution System Code. This limit needs to be drastically expanded if the new system was to replace the existing programs.

Excess Generation Credits:

Excess generation credits should be allowed to be carried forward with no expiry or should be paid out yearly. While this may encourage some to expand their consumption, it encourages those businesses/homes planning an expansion to plan ahead, with a Net Metering system that meets their planned needs. Furthermore, once a Net Metering account is “right sized” there must be additional flexibility to allow for expansion due to future changing needs (e.g. electric vehicles etc.).

On a side note: If export compensation cannot be used to lower fixed charges, then it is also not clear to the OSEA membership why there is such a concern about right sizing – or why oversizing would be a problem.

Virtual Net Metering:

If Virtual Net Metering (VNM) is to be enabled, this would actually “require” oversizing (with the intent of transferring credits to another consumer) – so there could be another tier of contracts, possibly at a revised VOST, for VNM generators/consumers. The VOST should then also include considerations for administrative costs incurred (e.g. for virtual billing). Please see our additional comments on VNM below in section: The Feed-in Tariff (FIT) vs. Net Metering and Community Projects.

Allowable System Size:

OSEA members recommend that the Net Metering program should be continuous and infinite in terms of capacity of accepted projects. It is imperative that the system is not implemented with limited amounts/capacity, which will harm the success of the initiative or cause undue stress to proponents, contractors and electric utilities, as we have seen under FIT.

Furthermore, OSEA members recommend allowing Net Metering for any type of owner, or customer, including industrial and commercial facilities. Furthermore, rather than setting a maximum cap of 500kW, OSEA members recommend adopting the principle of 100% of annual electricity consumption, so that building/ facility owners could generate their own power by matching the building/facility load, essentially limiting overbuilding. Industrial users connected to transmission, who plan to self generate at levels below their consumption should be exempt from the need to undertake a System Impact Study.

Allowable Technologies:

While current considerations are mainly addressing Solar PV, OSEA recommends allowing Net Metering for other technologies as well, including wind, biogas, biomass, hydro, as well as [micro combined heat and power \(mCHP\)](#) and/or Combined Heat and Power projects.

Storage & Micro-Grid Development:

The concept of Net Metering is rapidly changing and it will be important to stay up-to-date on these developments to avoid the system becoming outdated. Storage (as credits for excess generation) on the grid should continue to be allowed, for an annual cycle, but we strongly believe that if the annual quantity generated exceeds the annual consumption at the facility, then the extra kWh should receive compensation at an averaged HOEP value.

Net metering/ Self Consumption and Conservation:

A Net Metering contract could be aligned with other incentive programs, i.e. for an energy audit or a CDM program.

It can be assumed that Net Metering generators are primarily consumers. Consequently they will look to decrease their consumption first by implementing conservation measures before determining the required generation system size.

To assist financing at the household and small business level, OSEA encourages the Ministry to work with municipalities and to have the Net Metering program aligned with the Local Improvement Charge scheme. This would allow homeowners and small businesses to borrow from their municipality and pay back the loan via their property taxes. This would also tie the Net Metering system to the property, as a building improvement/asset that would transfer with the property.

The Feed-in Tariff (FIT) vs. Net Metering and Community Projects:

It is to be noted that OSEA's first preference would be to retain the FIT and to introduce a price regression schedule, so that there remains contract certainty that would make financing much easier. This would also allow LDCs to pay less for the wholesale power generated than what it sells for at the retail rate, thus generating revenue and income taxes. Net metering does neither and erodes the revenue basis of the LDCs, which are also required to deliver a smart grid and distribution services to the non-metering customers.

To ensure sustained growth and the feasibility of community-owned projects (i.e. projects developed by co-operatives, MUSH sector organizations and First Nations), OSEA recommends maintaining a smallFIT program for such groups, regardless of the new system. Community-participation projects allowed for this smallFIT should be defined as projects with at least 50% community participation, with community meaning energy co-ops, MUSH sector organizations, First Nations and Métis communities. OSEA further recommends expanding the project size limit for these "community smallFIT" projects to 10 MW to enable these proponents to consider and choose from a wider variety of available technologies.

Failing that, we think that energy co-operatives and other community proponents might be able to use VNM to enable broad community uptake and investment. This could be a fitting evolution from the FIT program prioritization of community power, and could draw upon many of the program elements used there.

To allow for this the VNM size needs to be at least 500 kW in size, but ideally larger.

Transparency, Predictability, Sustainability and Simplicity:

What is most important, in our view, is that the new system be transparent, predictable, lasting and simple, to ensure that the market remains stable during the critical first years after implementation of the new system and that growth in the sector becomes predictable and sustainable.

We thank you for your time.

Sincerely,



Nicole Risse
Interim Executive Director
Ontario Sustainable Energy Association

Copy: OSEA Board of Directors
OSEA Policy and Regulatory Advisory Committee
Ministry of Energy