



STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC UTILITY CONTROL

THE ENERGY & TECHNOLOGY COMMITTEE

House Bill 5364: AAC VIRTUAL NET METERING

March 4, 2010

TESTIMONY OF CHAIRMAN KEVIN M. DELGOBBO

House Bill No. 5364 requires CL&P and UI to allow for the 'virtual' net metering of electricity from Class I renewable sources. As defined in this proposed legislation, virtual net metering means that any surplus electricity produced from a Class I renewable source would be used to offset the metered consumption of the customer who owns the Class I resource as well as the electricity used at affordable housing complexes or by any other customer in the same service territory on a monthly basis. This legislation would expand net energy billing and thereby encourage the installation of Class I renewable facilities by providing a revenue stream, at the full retail electric rate, for the surplus electricity produced by that facility.

Under net metering, a customer's meter essentially runs backwards when they are producing power. Electricity generated is netted from electricity the customer purchases from the electric company at the retail electric rate for the customer. The Department agrees that net metering billing should be expanded, but the proposed legislation goes too far resulting in large hidden subsidies to renewable energy projects. These costs must be collected from ratepayers putting additional upward pressure on rates.

Connecticut's electric rates are the subject of ongoing concern for this Committee as for this Department. The Department notes that while net metering encourages the installation of renewable distributed resources, this and other similar policies come with a cost. The primary value that these facilities provide is energy which currently about 10 cents/kWh. However, the reimbursement structure under net energy billing pays the customer for the energy at the full retail rate which is currently about 19 cents/kWh for residential customers of CL&P. This includes distribution and transmission rates, federally mandated charges and the CTA. These costs, which are not avoided and therefore must be paid, are then shifted to the remaining customers through rates. In addition, customers can sell their renewable energy credits ("RECS"). For Class 1 projects such as wind, solar and fuel cells they can sell their RECS for as much as 5.5 cents/kWh. This results in a hidden subsidy of approximately 14.5 cents/kWh.

Once a customer produces more power than they consume surplus power provided to the power grid is purchased at the utilities avoided cost, which is defined as only the ISO-NE wholesale energy rate. Under this structure customers were paid between 4¢ and 8¢/kWh.

To encourage the installation of Class 1 renewable resources and as part of Connecticut's rapidly evolving energy policies, the rules governing net metering were expanded in 2008.¹ Under the revised standards customers who produce electricity from Class I generation with a capacity of up to 2 MW are allowed to bank or rollover their monthly net kWhs (for up to one year) to be used to offset the full value of the customer's future electric consumption. Any remaining kWh balance from the annual 'banking period' is reimbursed at the annual average ISO-NE wholesale price of electricity or at the average of peak energy prices for solar photovoltaic systems.² This change significantly increased the customer's reimbursement for net kWhs. For example, the full retail reimbursement for CL&P residential customers totals about 19¢/kWh or two to three times the historical monthly average payment for net kWhs.

To date the electric distribution companies have defined a customer as one meter and have only allowed the netting of consumption from one meter. This bill greatly expands the subsidy to renewable generators by allowing non related customers to net their consumption against the electricity produced a renewable generator. This encourages larger generators by increasing the subsidy. Rather than selling surplus generation at 4 to 8 cents/kWh they can net at 19 cents a kWh. Section 2(b) also states that "the electric distribution company shall compensate the customer host for any unassigned virtual metering credits net metering credits (at the end of the year) at the retail rate of electric power generation."

Expanding net metering as proposed will result in higher electric rates to customer in Connecticut and will be administratively difficult and expensive to implement by the LDC's.

The Department further notes that a customer may have more than one meter at the same location such as a large factory or college campus with multiple buildings. The same customer could also have multiple buildings separately metered at different locations such as a retail chain such as McDonalds. The Department would recommend that net metering be expanded to include multiple meters from the same customer at the same location, such as a factory or college campus. The Department could then monitor the impact and report to the legislature in a few years. At that time you could decide if net metering should be expanded further.

The Department would recommend that if policy makers want to change state policy regarding net metering, it should be in a more limited way. Rather than expanding net metering, a new rate could be developed to pay for generation from distributed generation facilities. Rather than the avoided wholesale cost of power the Department could examine using the retail generation rate for standard service. The Department could also examine whether other costs are avoidable. By developing an avoided cost based rate, the price for excess power would be increased, and there would be no shifting of costs to

¹ The revised net metering rules authorized under Public Act 07-242 were implemented in early 2008.

² Using the average of peak prices is meant to reflect the time of day in which solar systems provide energy. This further enhances the reimbursement for these systems.

other ratepayers. This rate would encourage more and larger distributed generation and renewable generation without any limitations.

Lastly, if the Committee moves forward with House Bill 5364 the Department requests the following clarifications:

1) The Department interprets this to mean the otherwise applicable generation service charge rate paid by the customer host. However, the Department seeks clarification as to whether the customer host is to be reimbursed at the year-end (i.e., December) generation service charge rate or at an annual average generation service charge rate. If it is an annual average, is it a load weighted average or simple arithmetic average?

2) Also, it appears that the customer host can offset the electric consumption, and therefore the electric bill, of up to five (5) beneficial accounts. The beneficial account therefore would not pay the full retail cost of any energy-based charges that are offset. The Bill is silent as to how the customer host and the distribution company are reimbursed for these transactions.

The Department thanks the Committee for this opportunity to testify and looks forward to working with it on this issue.

