

H.702 – An Act Relating to Self-Generation and Net Metering

Aaron Adler, Legislative Counsel, March 18, 2014

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Sec.	Bill as Passed the House of Representatives	Senate Proposal of Amendment
	<i>Net Metering Amendments for 2014</i>	
1	<p>This section would:</p> <ul style="list-style-type: none"> • Align how capacity is determined for a solar net metering system with how capacity is determined for solar projects seeking a standard offer contract. • Remove the requirement that a net metering system be on the customer’s premises or, if a group system, on one of the customer’s premises. • Increase the size of solar net metering systems eligible for the registration process from 10 to 15 kW. • Clarify that a customer has the option to retain ownership of any renewable energy credits (RECs) associated with the net metering system or may transfer them to the utility. The section directs that the customer make that decision at that time the application is filed. • State that, if a utility has inclining block rates, the credit per kWh is calculated by blending those rates rather than using the highest of those rates as under current law. • Increase the cumulative capacity of net metering systems that a utility has to accept from four to 15 percent of peak demand. • Allow a utility, once it reaches the cap, to choose to continue accepting solar net metering systems of 15 kW or less. For other net metering systems, the section allows the utility to petition the Public Service Board (PSB) to raise the cap and adds consideration of the environmental benefits and costs to the criteria used in reviewing this petition. • Change the credit amount that the solar adder is designed to achieve from 20¢ per kWh for all systems to 20¢ per kWh for solar systems that are 15 kW or less and 19¢ per kWh for other solar systems. • Authorize a pilot project under an electric cooperative may construct up to 5 MW of solar generation facilities to generate electricity for consumption 	<p>The first six proposals of amendment apply to this section.</p> <p>The first through third proposals of amendment address the issue of how utilities with inclining block rates calculate the monetary credit per kWh for net metering systems:</p> <ul style="list-style-type: none"> • Under the first proposal of amendment: <ul style="list-style-type: none"> (a) For all net metering systems other than solar, the credit per kWh would be at a blend of the inclining block rates. (b) For solar net metering systems, the credit per kWh for the first 10 years would be at the highest of the inclining block rates, except that a utility may use the total credit amount that the solar adder is designed to achieve if the utility’s highest block rate exceeds that credit amount. For the remaining life of the system the credit would be at the blended rate. • The second and third proposals of amendment are changes to other statutory subdivisions to make them consistent with the first proposal. <p>Under the fourth proposal of amendment:</p> <ul style="list-style-type: none"> • A solar facility installed by one or more municipalities on a closed landfill will be considered a net metering system if the facility or group of facilities has a total capacity of 5 MW or

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	<p>by the cooperative and its customers and have those facilities treated as net metering systems. For the energy generated by these facilities, the cooperative may propose, subject to PSB approval, alternative net metering arrangements to those otherwise required by statute.</p> <ul style="list-style-type: none"> • Enable an electric company that achieves and maintains an electric supply portfolio that is 90 percent renewable to propose an alternative net metering program for Board approval. • Require the Department of Public Service (DPS) to maintain a web page that identifies the total number and capacity of net metering systems statewide and itemized by utility service territory and category of renewable energy. 	<p>less, otherwise meets the definition of net metering system, and is agreed to by the utility. The system could serve as a group system for the participating municipalities. “Municipality” is defined to include various municipally-formed districts such school, water, fire, and solid waste.</p> <ul style="list-style-type: none"> • In addition to solar on a closed landfill, a utility may agree to one solar facility in its service territory of up to 5 MW to be treated as a net metering system, if the utility is not a cooperative undertaking the pilot project proposed by the House. • None of these facilities will count toward the 15 percent cumulative capacity limit. <p>The fifth proposal of amendment is a technical correction.</p> <p>The sixth proposal of amendment makes a technical change to how an electric company seeking to propose an alternative net metering program demonstrates that it is 90 percent renewable. The percentage would be calculated on a monthly basis commencing with the effective date and switching to an annual basis beginning one year after the effective date.</p>
1a	<i>Proposed for addition by the Senate</i>	<p>Under the seventh proposal of amendment, as a pilot project, a solar facility installed by one or more municipalities on a closed landfill in Windham County could serve as a group not only for the participating municipalities but also for non-municipal customers.</p>

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2	This section would repeal the existing net metering statutes effective Jan. 1, 2017.	<i>No change proposed.</i>
3	This section would amend the definitions section in the renewable energy chapter, effective Jan. 1, 2017, to add definitions relevant to net metering systems, including “customer,” “group net metering system,” “net metering” and “net metering system.” The proposed definitions are nearly identical to those in the existing net metering statute, with technical changes.	<i>No change proposed.</i>
4	<p>This section would add a new section on net metering systems to the renewable energy chapter, to go into effect on Jan. 1, 2017. It would provide policy direction to the PSB for a revised net metering program that would be governed by PSB rules. The section would:</p> <ul style="list-style-type: none"> • Allow a customer to install and operate a net metering system in accordance with the section and rules adopted under the section. • Require that a net metering customer pay the same rates and fees as other customers excepted as provided in the section and implementing rules. • Direct the PSB to adopt net metering rules that: <ul style="list-style-type: none"> - advance statutory goals for renewable energy and greenhouse gas reduction and, unless inconsistent with those goals, achieve a deployment level consistent the Comprehensive Energy Plan. - to the extent feasible, ensure that net metering does not shift costs between net metering customers and other customers. - account for all net metering costs and benefits and for changes over time in the cost of technology. - ensure that all customers who want to net meter have an opportunity to do so. - balance the pace of deployment with the impact on rates. 	<p>The eighth proposal of amendment would direct the PSB, in adopting rules for a revised net metering program, to continue to apply the so-called “Quechee” test for aesthetic impact to net metering systems that exceed 150 kW. It also would require that the rules and application form state the test’s components.</p>

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	<ul style="list-style-type: none"> • Require the rules to address other issues related to net metering, including: <ul style="list-style-type: none"> - whether there is a limit on the cumulative capacity of net metering systems and if so what that limit is. - the respective duties of the utilities and net metering customers. - interconnection requirements for net metering systems. - the formation and governance of group net metering systems. - the amount of the bill credit for electricity generated by net metering systems. - the ownership and transfer of RECs. • Provide that the rules must include standards and procedures on applications for certificates of public good for net metering systems, using language nearly identical to existing statute. • State that the rules do not have to be the same for each utility’s service territory. • Require each utility to implement net metering in its territory through a rate schedule that is consistent with the rules and approved by the PSB. • Direct the DPS to submit a triennial report to the PSB that evaluates the current state of net metering, including the current and recommended future pace of net metering deployment, the existence and degree of any cross-subsidy, the effect on utility infrastructure and revenue, the economic and environmental benefits of net metering, and other relevant issues. 	
5	<p>This section would create a process to result in the establishment of a revised net metering program commencing on January 1, 2017. The components of the process would be as follows:</p> <ul style="list-style-type: none"> • By Oct. 1, 2014, the DPS reports to the PSB on the current state of net metering. The report is to address the same subjects as in the triennial report described above. 	<p><i>No change proposed.</i></p>

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	<ul style="list-style-type: none"> • The PSB then undertakes one or more workshops to solicit input of potentially affected parties and the public on the design of a revised net metering program. • The PSB next proposes rules for the new program by the PSB and completes the public hearing and comment process on the proposed rules. • Then, by Jan. 1, 2016, the PSB provides the text of the rules it <i>intends</i> to adopt to the standing committees of jurisdiction, with a report summarizing the public comment received, evaluating the effectiveness of the existing program, and describing the options it considered. • By July 1, 2016, the Board finally adopts the new net metering program, to take effect on Jan. 1, 2017. • Utilities file rate schedules to implement the new program, for effect on Jan. 1, 2017. 	
Sec. 6-9	These sections consist of technical corrections that would come into effect on Jan. 1, 2017. They would change cross-references to the existing net metering statute so that they refer to the new net metering statute that also would go into effect on that date.	<i>No change proposed.</i>
Sec. 9a	<i>Proposed for addition by the Senate</i>	Under the ninth proposal of amendment, the bill would require the DPS, in its advocacy regarding the regional electric system, to advance positions that are consistent with state statutory policies and goals on energy efficiency and renewable energy and that minimize adverse consequences to Vermont from sharing of transmission costs.
Sec. 9b	<i>Proposed for addition by the Senate</i>	Also under the ninth proposal of amendment, the bill would require the DPS to report by Dec. 1, 2014 on: <ul style="list-style-type: none"> • The environmental and economic benefits and

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		<p>costs of requiring contracts with newly constructed plants to attach environmental attributes to count toward the 2017 SPEED goal.</p> <ul style="list-style-type: none"> • The environmental and economic benefits and costs of Vermont’s adopting a renewable portfolio standard.
Sec. 10	<p>This section governs the effective dates of the sections in the bill and their applicability and implementation. Under this section, among other things:</p> <ul style="list-style-type: none"> • The following would take effect on passage – Sec. 1, containing the 2014 changes to the existing net metering statute, and Sec. 5, enacting a process leading to a revised net metering program to commence on Jan. 1, 2017. • Utilities currently at the four percent cap for net metering systems would implement the new provisions on blended rates and the solar adder by filing revised net metering rate schedules within 15 days of passage, to go into effect on filing. Other utilities would file revised rate schedules for effect on and no earlier than Jan. 1, 2015. • The 2017 repeal of the existing net metering statute would not affect the validity of prior approvals issued for net metering systems. • The new net metering statute in Sec. 4 would go into effect on Jan. 1, 2017, except that it also would apply to the development of the revised net metering program under Sec. 5. 	<p>The tenth through twelfth proposals of amendment make changes to this section of the bill:</p> <ul style="list-style-type: none"> • The tenth proposal of amendment would make Secs. 9a (DPS advocacy; regional electric system) and 9b (report; environmental attributes; RPS) effective on passage. • The eleventh proposal of amendment is a technical change to be consistent with the first through third proposals of amendment, on inclining block rates. • The twelfth proposal of amendment is technical direction to the Legislative Council, when publishing provisions of this act, to insert the actual effective date instead of the phrase “effective date of this subsection.” • The thirteenth proposal of amendment would make Sec. 1a (closed landfill; municipal solar; pilot project) effective on passage.