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Utilities Commission

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June 1, 2018

Sent via eFile

**BC HYDRO AMENDMENT TO NET METERING SERVICE
EXHIBIT A-2**

Mr. Fred James
Chief Regulatory Officer
Regulatory & Rates Group
British Columbia Hydro and Power Authority
16th Floor – 333 Dunsmuir Street
Vancouver, BC V6B 5R3
bhydroregulatorygroup@bhydro.com

Re: British Columbia Hydro and Power Authority – Application to Amend Net Metering Service under Rate Schedule 1289 – Project No. 1598958 – Interim Approval with Reasons for Decision

Dear Mr. James:

Further to your April 20, 2018 filing of the above-noted application, please find enclosed British Columbia Utilities Commission Order G-100-18 with reasons for decision, approving interim tariff amendments.

Sincerely,

Original Signed By:

Patrick Wruck

/nd
Enclosure



ORDER NUMBER

G-100-18

IN THE MATTER OF

the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

British Columbia Hydro and Power Authority

Application to Amend Net Metering Service under Rate Schedule 1289

BEFORE:

D. A. Cote, Panel Chair/Commissioner

K. A. Keilty, Commissioner

R. D. Revel, Commissioner

on June 1, 2018

ORDER

WHEREAS:

- A. On April 20, 2018, British Columbia Hydro and Power Authority (BC Hydro) filed an application to seek approval from the British Columbia Utilities Commission (BCUC) to amend Rate Schedule (RS) 1289 so that RS 1289 is no longer available to customers proposing a generating facility with an estimated annual energy output that is greater than their estimated annual load (Application). BC Hydro seeks to have such amendments effective as of the date of the Application on April 20, 2018, and should the BCUC determine that further process is required, BC Hydro requests that interim approval be provided for the proposed amendments;
- B. BC Hydro states that the Application is an interim step to address the issue of oversized generating facilities while BC Hydro undertakes a broader review of the Net Metering Program (Program) and its requirements. BC Hydro is targeting to complete this review of the Program and file an application with the BCUC for approval of further amendments by the end of calendar year 2018;
- C. By BCUC letter L-37-03 dated July 22, 2003, the BCUC recommended the development and implementation of a net metering tariff, and directed BC Hydro to prepare an application for a simple net metering tariff with at minimum a number of listed parameters;
- D. By Order G-26-04 dated March 12, 2004, the BCUC approved BC Hydro's Net Metering Tariff under RS 1289;
- E. BC Hydro's Net Metering Tariff was subsequently amended by Orders G-90-05, G-4-09, G-57-12, G-104-14, and G-116-15; and
- F. The BCUC has reviewed the Application, and finds that interim approval of the proposed tariff amendments is warranted.

NOW THEREFORE pursuant to sections 58 to 61 of the *Utilities Commission Act* and for the reasons attached as Appendix A, the British Columbia Utilities Commission orders as follows:

1. The tariff amendments proposed in Appendix B of the Application are approved on an interim basis effective April 20, 2018, until such time as the BCUC rules on the next BC Hydro Net Metering application or orders otherwise.
2. BC Hydro is to defer the review of all Net Metering applications that are proposing a generating facility sized to generate an estimated annual energy output that is greater than their estimated annual load until the BCUC rules on its next Net Metering application or orders otherwise. All other Net Metering applications received from prospective net metering customers are to be reviewed in accordance with the interim tariff.
3. BC Hydro is directed to file the revised RS 1289 tariff with the BCUC for endorsement within 60 days from the date of this order.
4. BC Hydro is directed to file its next Net Metering application for approval of further amendments by no later than December 15, 2018.

DATED at the City of Vancouver, in the Province of British Columbia, this 1st day of June 2018.

BY ORDER

Original Signed By:

D. A. Cote
Commissioner

Attachment

British Columbia Hydro and Power Authority
Application to Amend Net Metering Service under Rate Schedule 1289

REASONS FOR DECISION

1.0 Background

By letter L-37-03 dated July 22, 2003, the British Columbia Utilities Commission (BCUC) recommended the development and implementation of a net metering tariff, and directed the British Columbia Hydro and Power Authority (BC Hydro) to prepare an application for a simple net metering tariff with, at minimum, the following parameters:

- It should be available to the residential and commercial customer classes.
- It should be applicable only to clean energy projects, as defined in the BC Government's Energy Policy.
- It should be applicable to generation of 50 kW or less.
- Interconnection must be safe, but the rules governing interconnection should not be extensive, or burdensome in administrative process.
- BC Hydro should consult with other agencies and interest groups as appropriate.
- Customer generation should be limited to own use only at the registered location of the net metering installation. In determining consumption charges, net excess generation may be banked as a credit to the customer's account to be applied against future net consumption.¹

Letter L-37-03 also states that:

The Commission supports the concept of net metering in general. The Commission agrees that net metering is not likely to be developed to a great extent in B.C. given our low electricity rates presently. In the current pricing environment the Commission expects that net metering in B.C. would not impose any material costs on non-participating ratepayers.

... given that a small amount of energy will likely be involved, the Commission's support for a net metering tariff is conditional on development and implementation that does not incur any substantial cost on the utility, and that does not impose any inordinate barrier to ratepayers seeking to net meter.²

On November 3, 2003, BC Hydro applied to the BCUC for approval of BC Hydro's Net Metering Tariff under Rate Schedule (RS) 1289 which was approved by the BCUC by Order G-26-04 dated March 12, 2004. Since that time there have been amendments to BC Hydro's Net Metering Tariff by Orders G-90-05, G-4-09, G-57-12, G-104-14, and G-116-15.

¹ BCUC letter L-37-03 dated July 22, 2003, p. 3.

² Ibid.

2.0 Application

On April 20, 2018, BC Hydro filed an application to seek approval from the BCUC to amend RS 1289 so that RS 1289 is no longer available to customers proposing a generating facility with an estimated annual energy output that is greater than their estimated annual load (Application), to be effective April 20, 2018. BC Hydro states that the proposed amendments are limited in scope and designed to address an immediate concern related to new oversized generating facilities, which have resulted in significant annual surplus energy payouts.³ In BC Hydro's view, its Application provides sufficient information to proceed directly to a Commission decision. However, should the BCUC determine that further process is required, BC Hydro requests that interim approval effective April 20, 2018 be provided for the proposed amendments and thereby avoid leaving an open window of time that may prompt a rush of applications for proposed oversized generating facilities.⁴

Subsequent to BC Hydro filing the Application, a number of letters of comment were received by the BCUC.

2.1 Issues with oversized generation

BC Hydro states that the Application proposes limited amendments to the Net Metering Program to address a growing trend, recently observed by BC Hydro, of project applications where the customer's proposed generating facility is sized to by far exceed the customer's annual load.⁵ BC Hydro states that, in some instances, it has received applications proposing generator capacity sizes that are 40 to 50 times the annual load anticipated by a customer. The impact of these applications with oversized generating facilities is reflected in the payouts related to annual energy surplus amounts. BC Hydro reports 230 customers received annual energy surplus payouts totalling \$280,000 in 2017. Among these, six customers received approximately \$222,000 in total with individual annual payouts ranging from \$10,000 to \$60,000.⁶ BC Hydro estimates that there are approximately 12 Net Metering applications for oversized generating facilities within the review process for service under RS 1289.⁷

BC Hydro further explains that oversized generating facilities are not consistent with the intent of the Net Metering Program "which is to allow customers the opportunity to generate electricity to offset part or all of their own annual load requirements on their premises with a clean or renewable resource."⁸ In BC Hydro's view, the sale of excess generation to BC Hydro is more akin to an electricity purchase agreement with an independent power producer. Because RS 1289 does not provide BC Hydro with discretion to deny such applications, BC Hydro requests that the proposed tariff amendments become effective as of the date of the Application, April 20, 2018, in order to prevent additional costs and inequities from being imposed on ratepayers. In addition, setting the April 20, 2018 effective date will avoid leaving an open window of time that may prompt a rush of applications to BC Hydro for proposed oversized generating facilities.⁹

BC Hydro points out that it is important to note that Net Metering Program costs and benefits are shared amongst all ratepayers and explains that "the volume of energy generated is too small to result in any appreciable avoided cost benefits to both BC Hydro and other ratepayers."¹⁰ Consequently, Net Metering Program costs are assumed by all ratepayers with minimal benefit from the energy volume created by Net

³ Exhibit B-1, p. 1.

⁴ Exhibit B-1, p. 9.

⁵ Exhibit B-1, p. 2.

⁶ Exhibit B-1, p. 7.

⁷ Exhibit B-1, p. 7.

⁸ Exhibit B-1, p. 2.

⁹ Exhibit B-1, p. 2.

¹⁰ Exhibit B-1, p. 8.

Metering projects. BC Hydro expects the Net Metering Program to continue to grow in 2018 with approximately 600 expected applications, and an increasing number of oversized generating facilities among them.¹¹ The proposed amendments to RS 1289 are needed in order to prevent circumvention of the Net Metering Program's intent and the shifting of additional costs to other ratepayers.¹²

2.2 Impact on customers from proposed amendments

BC Hydro's proposed amendments to the Net Metering Program "will not impact customers currently under RS 1289, customers whose applications have been **accepted** by BC Hydro as of the proposed effective date, or customers who are proposing a generating facility sized to generate electricity up to their annual load requirements."¹³ As stated by BC Hydro, there are approximately 12 customers with oversized generating facilities in the application review process at the time of this filing that are not yet accepted.¹⁴

2.3 Upcoming Net Metering application to propose further amendments

BC Hydro states that this Application is an interim step to address the issue of oversized generating facilities while a broader review of the Net Metering Program and its requirements is undertaken. BC Hydro will be conducting stakeholder consultations as part of this review process and plans to file an application with the BCUC for approval of further amendments by the end of calendar year 2018.¹⁵ BC Hydro states it will be considering other options to address the issue of oversized generating facilities. Therefore, its future Net Metering application may propose maintaining the amendments requested in this Application or, conversely, may propose different amendments that reflect the outcome of the review.¹⁶

3.0 BCUC determination

The Panel recognizes the importance of the Net Metering Program as a means to allow customers the opportunity to offset part or all of their load requirements. However, we also share BC Hydro's concern that there may be potential cost to non-participating ratepayers if the amount of energy surplus payout continues to increase through the further approval of oversized generating facilities. The Panel therefore agrees with BC Hydro that its proposed amendments to restrict RS 1289 to those customers whose annual load meets or exceeds the generating facility's annual energy output is a potential solution to the problem. However, the Panel is not persuaded that this application should be approved without a hearing, where all parties would have the potential to participate. **Therefore, the Panel rejects BC Hydro's request to move to a Commission decision without further process.**

The Panel notes that BC Hydro has stated that it is currently undertaking a broader review of the Net Metering Program. BC Hydro also states that it expects to file a further application for amendments based on this review by the end of the calendar year which may or may not propose revisions to amendments applied for in this application. If the Panel were to establish a process to review this Application, there would be costs and effort associated with further process, with the potential that the outcome of this process to be further amended a few months later. Therefore, in the interest of regulatory efficiency, the Panel finds the proposed amendments to the Net Metering Program should be made interim and formally reviewed only when BC Hydro files its

¹¹ Exhibit B-1, p. 8.

¹² Exhibit B-1, p. 8.

¹³ Exhibit B-1, p. 1. [emphasis added]

¹⁴ Exhibit B-1, p. 7.

¹⁵ Exhibit B-1, p. 9.

¹⁶ Exhibit B-1, p. 1.

anticipated application to amend the Net Metering Program and RS 1289 after the broader review has concluded. The Panel also finds that making the proposed amendments interim will limit the extent of potential adverse effect from future amendments to address oversized generation while allowing most of the Net Metering Program applications to move forward.

Given these findings, the Panel approves the proposed tariff amendments included in Appendix B of the Application on an interim basis effective April 20, 2018, and the interim approval is to last until such time as the BCUC rules on the next BC Hydro Net Metering application or orders otherwise. BC Hydro is directed to file the revised RS 1289 tariff with the BCUC for endorsement within 60 days from the date of Order G-100-18.

BC Hydro is directed to file its next Net Metering application for approval of any further amendments resulting from its broader review of the Net Metering Program by no later than December 15, 2018. Interested parties, those who provided letters of comment and stakeholders are encouraged to participate in BC Hydro's stakeholder consultation process as part of its broader review of the Net Metering Program in preparation for the future Net Metering application to be filed by December 15, 2018.