

BRITISH COLUMBIA UTILITIES COMMISSION

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

BCUC Project No. 1599004

Final Argument of BC Sustainable Energy Association

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PART 1. INTRODUCTION

A. Final argument of BCSEA

1. This is the final argument of the intervener B.C. Sustainable Energy Association (BCSEA) in the Commission’s proceeding regarding BC Hydro’s Application to Amend Net Metering Service under Rate Schedule 1289.¹
2. This final argument responds to BC Hydro’s February 27, 2020 Final Argument.²

B. BCSEA’s interests in the proceeding

3. BCSEA represents individuals and organizations in BC who care about energy sustainability and climate change mitigation, and who want the energy they purchase and use to be sustainably produced and transported. Members of BCSEA are ratepayers of BC Hydro. BCSEA’s interests in this proceeding are as a non-profit public interest energy policy organization, and as a representative of its members’ interests as ratepayers.

¹ This argument is filed pursuant to the amended regulatory timetable established by Order G-293-19, Exhibit A-16.

² https://www.bcuc.com/Documents/Arguments/2020/DOC_57326_2020-02-27-BCH-FinalArgument.pdf.

4. BCSEA's interests in the proceeding are indicated by their participation in related BCUC proceedings including:
 - a. BC Hydro's 2014 Net Metering amendment application (G-116-15), 2013 Net Metering evaluation report and tariff amendment (G-104-14), 2011 Net Metering re-pricing application (G-57-12), and 2008 Net Metering re-pricing application (G-4-09),
 - b. FortisBC Inc.'s 2017 Net Metering reconsideration application (G-63-18), 2016 Net Metering update application (G-199-16), and 2009 Net Metering Tariff application, and
 - c. BC Hydro and FortisBC Inc. applications involving rate design, long-run marginal cost, and resource acquisition.
5. BCSEA has participated actively in the current proceeding. BCSEA appreciates and has carefully considered the evidence and submissions filed to date by BC Hydro, the various interveners, and the providers of letters of comment.

PART 2. ARGUMENT

A. Key Point – Intentional Net Surplus Energy and Market-Based Energy Price

6. BCSEA strongly supports continuation and expansion of BC Hydro's Net Metering Program. Notably, the B.C. Government's *CleanBC Plan* characterizes BC Hydro's Net Metering Program as a positive example of a measure to support, encourage and enable the transition to clean energy, aligned with the Province's electrification goals and emission reduction targets.³
7. Producing annual net surplus energy for delivery to BC Hydro is not something done by most existing Net Metering participants, and this is likely to remain the case for most new NM participants in the future.
8. However, there is a small but growing number of existing or would-be Net Metering participants who are operating, or who want to operate, a small-scale clean renewable electricity generation facility on their own site in order not only to offset their own load but to contribute annual net surplus energy to the BC Hydro system. These customers are not motivated by profit but by a desire to create and use

³ Exhibit B-5, BCSEA 1.5.1, pdf p.260.

energy sustainably at a personal and local community level. BCSEA believes this is a commendable endeavor that should not be unnecessarily thwarted.

9. BCSEA's main submission in the current proceeding is that (a) new Net Metering participants should be allowed to produce intentional annual net energy,⁴ and (b) the price for this energy (the Energy Price) should be updated to reflect the current financial value to all customers.
10. These two concepts go together. Right-sizing the Energy Price removes any cost-shifting due to the impact of the Energy Price on BC Hydro's cost of acquiring annual net energy from NM participants. BCSEA's approach would allow customers to choose to spend their own money to install and operate an on-site generating facility (within the 100 kW maximum size and subject to the technical requirements) sized to produce annual net energy that would be reimbursed by BC Hydro at an Energy Price determined by the financial value of the energy to all BC Hydro customers.
11. BCSEA's view is that the Commission should reject BC Hydro's request⁵ for approval of a permanent ban on new participants who propose what BC Hydro calls an "Oversized Generating Facility."⁶
12. BCSEA submits that if the Energy Price is based on the current value of the energy to BC Hydro⁷ (which BCSEA supports), then there is no Energy Price rationale for a ban on new intentional annual net surplus energy.⁸
13. BC Hydro emphasizes that the "proposed update to the Energy Price is intended to only address the cost-shifting with regards to Surplus Energy Payments."⁹ However, BC Hydro also defends its proposed ban on "Oversized Generation" by arguing that its requested update to the Energy Price mitigates *but does not eliminate* cost-

⁴ Subject to the maximum generator size (100 kW) and interconnection and other technical requirements.

⁵ BC Hydro Final Argument para.4.

⁶ The effect of BCSEA's approach would be to terminate this aspect of the interim amendments to RS 1289 approved by BCUC Order No. G-100-18 effective on April 20, 2018.

⁷ The financial value of NM Surplus Energy is the same for BC Hydro as it is for BC Hydro's customers, because customers' rates are set at a level that allows BC Hydro to recover its costs.

⁸ BC Hydro says: "The amendments proposed in the Application are intended to address cost-shifting that occurs between participating and non-participating customers with regards to Surplus Energy Payments." Exhibit B-3, BCUC 1.5.1, pdf p.64.

⁹ Exhibit B-5, BCSEA 1.21.5, pdf p.396. In response to BCSEA 2.23.4, Exhibit B-8, BC Hydro states: "As discussed further in BC Hydro's response to BCUC IR 2.26.2, the proposed update to the Energy Price is only intended to mitigate the cost shifting associated with Surplus Energy Payments. The remaining cost shifting resulting from the Program is not being mitigated through the Application."

shifting due to the Energy Price, referring to its costs of delivering the energy to the market.¹⁰ In response, BCSEA submits that this should be rejected as an argument for a ban on new intentional annual net surplus energy.

14. First, BCSEA says the proposed method of determining the Energy Price¹¹ *does* eliminate cost-shifting due to the Energy Price. BC Hydro itself says the method is a simple but accurate approach.¹² While the method does not include adjustments for line losses and wheeling, neither does it include an opposite adjustment for delivery at a load centre. This is similar to BC Hydro's use of average Mid-C prices (without adjustments for line losses, wheeling or point of delivery) to determine an avoided cost of energy for screening demand-side management spending.
15. Second, if the proposed method of determining the Energy Price does not eliminate cost-shifting due to the Energy Price then it would fail to achieve the stated purpose. With respect, BC Hydro cannot 'have it both ways.' If, as BC Hydro argues, the new method of determining the Energy Price properly reflects the value of Surplus Energy to BC Hydro then there is no Energy Price cost-shifting rationale for banning new "Oversized Generation."
16. BC Hydro also argues that "Assuming the Energy Price reflected the value BC Hydro receives from excess generation, ...there would still be a need to limit the size of a customer's Generating Facility so that the Program is maintained as a load offset program."¹³ In response, BCSEA submits that the Commission should reject this argument. Net Metering being described as a "load offset" program has never meant a prohibition of annual net surplus energy, whether occasional or intentional. On the contrary, RS 1289 has included an Energy Price ever since the Commission's approval of the Net Metering Program in 2004.¹⁴ The Commission's decisions expressly contemplate that annual net surplus energy will occur from time to time even though Net Metering is described as a load offset program.

¹⁰ Exhibit B-5, BCSEA 1.1.2, pdf p.245.

¹¹ I.e., daily average Mid-C prices for the previous calendar year converted to Canadian dollars. Exhibit B-1, p.39, pdf p.45.

¹² Exhibit B-1, p.39, pdf p.45.

¹³ Exhibit B-3, BCUC 1.5.3, pdf p.83.

¹⁴ Decision and Order G-26-04, approving the Net Metering Program and an Energy Price based on the avoided cost of comparable green power generation, which was then 5.4 cents/kWh; Decision and Order G-4-09, approving an Energy Price of 8.16 cents/kWh; Decision and Order G-57-12, approving an Energy Price of 9.99 cents/kWh.

17. BCSEA acknowledges that there are other putative sources of cost-shifting between participating and non-participating customers (apart from the size of the Energy Price).¹⁵ However, these are not an issue in the current proceeding.¹⁶ BCSEA submits that any alleged causes of cost-shifting (other than the Energy Price) are not a rationale for banning new intentional annual net surplus energy under the Program.

B. Determination of the Energy Price for Annual Net Energy

18. Given that BC Hydro has surplus energy on a planning basis (approximately 4,000 GWh/y) that is sold in the electricity market, in BCSEA's view market prices are the best objective measure of the financial value of new deliveries of annual surplus energy to BC Hydro under the NM Program. Over the next years, low-carbon electrification and other factors cause BC Hydro's load to increase to the point where BC Hydro needs new clean renewable energy resources.¹⁷ At that point, market prices will no longer reflect the financial value of annual surplus energy from Net Metering participants. Instead, the financial value to BC Hydro customers of clean renewable energy from NM participants will reflect the avoided cost of new B.C. clean renewable resources. The NM Energy Price should be reviewed and revised accordingly, at that time.

19. BC Hydro's proposal is that the market-based Energy Price would be based on the daily average Mid-Columbia (Mid-C) prices for the previous calendar year, converted to Canadian dollars.¹⁸ BCSEA considers this approach to be reasonably accurate,¹⁹ simple, and easily understood.

C. Transitional Energy Price

20. BCSEA strongly supports a fair transitional approach to maintaining the existing Energy Price for existing Net Metering participants who deliver annual net energy to

¹⁵ Exhibit B-3, BCUC 1.5.1, pdf p.65.

¹⁶ BC Hydro states: "As discussed in BC Hydro's response to BCUC IR 1.5.1, the proposed amendments in the Application are specifically intended to only address the cost-shifting that occurs with regards to Surplus Energy Payments. BC Hydro is not proposing any amendments in the Application to address cost-shifting that occurs in the other ways discussed in BC Hydro's response to BCUC IR 1.5.1 and quantified in this response." Exhibit B-3, BCUC 1.5.2, pdf p.67, underline added.

¹⁷ Whether supply-side or demand-side.

¹⁸ BC Hydro Final Argument, para.4, third bullet.

¹⁹ Reasonably accurate meaning a reasonably accurate approximation of the financial value to BC Hydro customers of incremental energy sold in the market. For example, using the average market price takes into account both high-load hours and low-load hours.

BC Hydro. These participants incurred significant costs in establishing their generation facilities in light of the size of the Energy Price at the time. While the Energy Price is a rate subject to change by the Commission, BCSEA believes these participants should be recognized for being early adopters of innovative energy solutions to the benefit of B.C. and BC Hydro customers.

21. BC Hydro proposes to maintain the current Energy Price of 9.99 cents per kWh for all customers with an accepted Net Metering Application as of April 20, 2018, for a period of five years (Transitional Energy Price).²⁰ In BCSEA's view, five years would be the minimum acceptable transition period; and BCSEA would support a longer period. BCSEA considers that a transitional period is preferable to a phase-out period, because a phase-out would have immediate negative impact on impacted NM participants and would be complicated for customers to understand and for BC Hydro to administer.²¹

D. Determination of "Oversized Generation Facility"

22. BC Hydro proposes various details of how it would determine if a NM applicant's proposed Generation Facility and Annual Load would result in a prohibited Oversized Generation Facility.²² In response, BCSEA does not oppose BC Hydro's proposals that are aimed at streamlining and flexibility.²³
23. However, BCSEA submits that the better approach is to right-size the Energy Price and not to micro-manage the size of new NM participants' generation facility (beyond compliance with the 100 kW maximum and applicable technical requirements). If and when the Energy Price is based on the financial value of the incremental energy to BC Hydro customers, the Energy Price ceases to be a reason to prevent NM participants from delivering an annual net surplus; and if new intentional annual surplus energy is not banned then there is no need for complicated rules to determine if generation is "Oversized."

²⁰ BC Hydro Final Argument, para.4, fourth bullet; paras.59-60.

²¹ BC Hydro Final Argument, para.64.

²² BC Hydro proposes to "Limit RS 1289 eligibility to those customers proposing a Generating Facility with an estimated Annual Energy Output no greater than 110 per cent of their estimated Annual Load, with some provisions to provide additional flexibility for customers." BC Hydro Final Argument, para.4, first bullet; and see para.23 of the Argument where the specific proposals are set out.

²³ Such as an exemption of 10 kW from the proposed requirement that Annual Energy Output not exceed 110% of estimated Annual Load, to which BC Hydro says it would be amenable: BC Hydro Final Argument, para.4, footnote 8; para.34-36.

E. Participant Option to Set Anniversary Date

24. BCSEA supports approval of BC Hydro's proposal to assign all Net Metering (RS 1289) customers a default "Anniversary Date" of March 1 and to allow customers to choose their own anniversary date once.²⁴ This would allow NM participants to optimize the timing of net surplus energy (in kWh) in a billing period being banked to their Generation Account.

F. RS 1289 Wording Changes

25. BCSEA does not object to BC Hydro's proposed minor amendments to RS 1289 to improve clarity and simplicity, to maintain the safety of the Program and to reflect existing Program practices.

26. BCSEA notes that the clarification that generation connections are not permitted except through an interconnection agreement or through the Net Metering Program²⁵ is applicable broadly. It should not be considered to be aimed particularly at Net Metering participants or applicants, because by definition they have chosen the proper procedure for obtaining approval to connect their generation.

G. Regulatory Framework

27. BCSEA acknowledges that RS 1289 is a postage-stamp, variable rate that the Commission has jurisdiction to amend in accordance with sections 58 to 60 of the *Utilities Commission Act*. These sections provide the BCUC with the authority to determine whether a rate is just, reasonable, and not unduly discriminatory, or preferential.

H. Engagement Survey

28. With respect, BCSEA submits that the Commission should not give weight, one way or the other, to the reported results of the Engagement Survey completed by BC Hydro. The options presented in the questionnaire were not the same as the proposals in the Application.²⁶ And, the responses are difficult to interpret where none of the offered responses may have been the respondent's preferred outcome.

²⁴ BC Hydro Final Argument, para.4, second bullet.

²⁵ BC Hydro Final Argument, para.66, first bullet.

²⁶ Exhibit B-5, BCSEA 1.2.1, pdf p.250.

PART 3. CONCLUSION

29. BCSEA submits that new Net Metering participants should be allowed to produce intentional annual net energy,²⁷ and the Energy Price should be based on the average Mid-C market price to reflect the current financial value to other customers. This approach would eliminate any cost-shifting due to the existing Energy Price and it would avoid unnecessarily thwarting the opportunity for a small but growing number of BC Hydro customers to go beyond offsetting their own load and to contribute small-scale clean renewable electricity to the BC Hydro system, within the broader parameters of the Net Metering Program.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

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²⁷ Subject to the maximum generator size (100 kW) and technical requirements.