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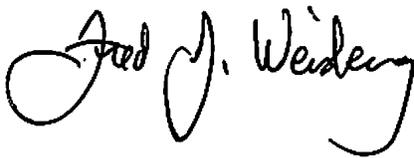
British Columbia Utilities Commission
6th floor, 900 Howe Street
Vancouver, BC V6Z 2N3
Attention: Patrick Wruck
Commission Secretary and Manager Regulatory Services

Dear Mr. Wruck:

Re: British Columbia Hydro and Power Authority (BC Hydro)
Application to Amend Net Metering Service under Rate Schedule 1289 ~ Project No.
1599004
Net Metering Ratepayers Group
Responses to BCCSC Information Request No. 1

We are writing on behalf of our clients the Net Metering Ratepayers Group (NMRG) to file Responses to BCCSC Information Request No. 1.

Yours truly,



Fred J. Weisberg
Weisberg Law Corporation
Counsel to Net Metering Ratepayers Group

British Columbia Hydro and Power Authority (BC Hydro)

British Columbia Hydro and Power Authority (BC Hydro)
Application to Amend Rate Schedule (RS) 1289 for
Net Metering Service
Project No. 1599004

**NET METERING RATEPAYERS GROUP
RESPONSES TO INFORMATION REQUEST NO. 1 FROM
BRITISH COLUMBIA COMMUNITY SOLAR COALITION**

1.0 Reference NET METERING (RS 1289) Cost shifting

Exhibit C23-7 Cost Shifting

BC Hydro states multiple times that an “update to the Energy Price is intended to address cost-shifting between customers in the Program and non-participants with regards to Surplus Energy payments.”

NMRPG item 46, p 14 quotes Reasons for Decision G-57-12

The Panel is of the view that BC Hydro should demonstrate that increasing the cap would result in a substantial cost on the utility and its ratepayers, not just that it would result in more exports to the grid.¹

NMRPG item 96, p 25 15.2 Environmental and other benefits of Net Metering states:

Careful consideration of all aspects of net metering reveal that it results in net benefits, rather than net costs, for non-participating BC Hydro customers.

BCCSC shares this view.

BC Hydro acknowledges that distributed generation can provide benefits and services. In their application they note “Austin Energy has a [“value of solar”] tariff that recognizes benefits such as loss savings, energy savings, generation capacity savings, fuel price hedge value, transmission and distribution capacity savings and environmental benefits”². In the Net Metering Evaluation Report p. 18 BC Hydro states: “customer generation may also allow BC Hydro to avoid or defer system costs or regional transmission, such as upgrades to enhance the reliability of the system in a particular area”.³ In response to BCUC IR 1.10.5 BC Hydro states that they have “recently

¹ BC Hydro-Net Metering Service – Reasons for Decision APPENDIX A to Order G-57-12, p. 44 PDF 46.

² BC Hydro application exhibit B-1 p 50

³ Appendix F p 20

adopted the market price as a *conservative interim assumption* for evaluating energy during surplus and deficit periods”.⁴ [emphasis added]

1.1 If the electricity system benefits possible from customer generation provides economic value does NMRPG believe this to be an asset to the utility and its ratepayers?

RESPONSE:

Yes, NMRG believes that customer generation result in electricity system benefits and provide economic value to both BC Hydro and non-participating customers. Net Metering is most definitely an asset to the utility and its ratepayers, and clearly aligns with BC energy policy goals and the reality of a societal transition away from fossil fuels to clean energy and increased electrification.

1.11 Does NMRPG agree that electrical system benefits should be accounted for in determining the “energy price” of Net Metering generation?

RESPONSE:

Yes, NMRG agrees that that electrical system benefits, and other benefits (e.g. environmental, health, energy security, etc.) should be accounted for in determining the “energy price” of Net Metering generation.

1.12 Does NMRPG believe that it’s possible that Net Metering generation provides more value than the current energy price?

RESPONSE:

NMRG observes that BC Hydro and its non-participating customers implicitly recognize that Net Metering generation provides more value than the current energy price paid or credited to NM customers currently reflects. That is demonstrated each and every day by the fact that BC Hydro sells NM generation to non-participating Residential customers at a profit – a higher price than BC Hydro pays to NM customers for their excess generation. The infrastructure that BC Hydro requires to achieve those sales and that profit is minimal – the electricity is literally travelling no further on BC Hydro’s lines than to the NM customers nearest neighbours with load to meet.

1.13 Does NMRPG generally agree that “cost shifting”, might occur in more than one direction, *i.e.*: not specifically from ratepayers to Net Metering customers, but potentially also from Net Metering customers to ratepayers?

RESPONSE:

⁴ BC Hydro response to BCUC IR 1.10.5 exhibit B-3

NMRG agrees that it is theoretically possible that at an energy price higher than the current 9.9 cents NM rate (and much higher than the drastically reduced energy price proposed by BC Hydro in this proceeding) some NM customers could potentially shift some costs to some non-participating customers. However, if BC Hydro’s proposed changes are approved there is no possibility of that occurring. Rather, there would be an immediate, lasting, significant cost shift from non-participating customers to NM customers.

1.14 Does NMRPG agree that a “conservative interim assumption” is a legitimate evaluation of energy for rate setting? Please be specific to the Net Metering RS 1289 rate in your reply.

RESPONSE:

No, NMRG does not agree that BC Hydro’s “recently adopted” market price as a conservative interim assumption for evaluating energy during surplus and deficit periods is in any way appropriate. BC Hydro has failed to demonstrate that the Mid-C market price it proposes to use as its yardstick for in-province energy acquisitions is justified, fair or sustainable. It is not a conservative assumption – it would result in a drastic reduction of the rates currently paid to NM customers which they reasonably believed would be maintained (or increased) indefinitely. BC Hydro’s proposed Net Metering changes seek to entirely change the rules of the game after it is well underway – and such action is never legitimate.

2.0 Reference NET METERING (RS 1289) LOAD OFFSETTING

Exhibit C23-7 NMRPG Written Evidence

NMRPG item 8, p 5 states, in part:

“The underlying objective of the Net Metering Program – to buy energy from its customers – must not be forgotten. Nor can it be confused with, or recast as, a load offsetting program. Load offsetting was not the driving consideration when customers made their carefully considered decisions to enter the Net Metering Program.”

BCCSC concurs with NMRPG that establishing and maintaining an energy price for excess generation as a “means to qualify payments” for energy delivered to BC Hydro creates a very specific mechanism for financial compensation to small Distributed Generator owners.

Canadian Solar Industry Association [CANSIA] IR 1 to BC Hydro exhibit C7-2 states:

“**Virtual Net Metering (VNM)** injects low-risk, high-reward investment into the economy while solving issues of siting, sizing and capital that individual systems face. A VNM Program would create opportunities for communities and co-operatives that cannot participate within the recent amendments proposed by BC Hydro.” And “Would BC Hydro be willing to consult with CanSIA and the industry on the structure for the VNM program?”

2.1 Is NMRPG in any way opposed to the current load offsetting component of Net Metering RS 1289, (as opposed to the proposed amended capacity limit)? Please elaborate either way.

RESPONSE:

NMRG does not agree with a premise that assumes the Net Metering Program was ever intended primarily as a load-offsetting initiative. If simply generating only enough energy to offset one's own load – and no more – was the objective, then *net* metering would never be required. The greatest value of Net Metering is not simply to offset one's own load, but to contribute clean, reliable, local energy to the grid at a reasonable price (e.g. such as the current 9.9 cents that is below the price that BC Hydro's resells it to non-participating customers).

NMRG sees the proposed amended capacity limit of 110% of one's own load as a fatal obstacle to virtually every conceivable micro-hydro NM project. The economics simply won't work if that limit is imposed. BC Hydro's proposal ignores the economic realities of optimizing such a project.

2.12 In theory and concept only, would NMRPG be opposed to Net Metering as a load offsetting program if it's expanded to include VNM and Community Net Metering (CNM) *if* NMRPG members could own, develop, and derive financial benefit from the sharing of energy credits based on multiple, individual, load offsetting, BC Hydro accounts?

RESPONSE:

As they say, the devil is in the details. Given the hypothetical as stated, the NMRG would not oppose a process to consider expansion of the Net Metering Program to VNM and CNM if they could be assured that NMRG members would be kept whole (e.g. no worse off than under the current Program rules and pricing) or realize some incremental benefits. Having already made significant investments, or having incurred expense to develop a new micro-hydro project, NMRG members would oppose VNM and CNM if they were likely to lead to financial harm for themselves.

2.13 If BC Hydro agreed to a new financial mechanism to derive payment for generation delivered to the grid would this be of interest to NMRPG?

RESPONSE:

The NMRG would cautiously consider the merits of a new financial mechanism to derive payment for generation to the grid, provided it kept them whole or provided an incremental benefit and assured long term commitment sufficient to enable full recovery of capital investment, interest and ongoing expenses.

2.14 If a new financial mechanism opened a viable opportunity for NMRPG projects, and did not introduce any undue or onerous technical, administrative, financial, or other

barriers, would NMRPG consider the “recasting” of Net Metering as a load offsetting program as reasonable?

RESPONSE:

Given the hypothetical as stated, the NMRG would very cautiously consider the merits of a proposed “recasting” of Net Metering, provided it kept them whole or provided an incremental benefit and assured long term commitment sufficient to enable full recovery of capital investment, interest and ongoing expenses.

2.15 Would NMRPG be willing to consult with BC Hydro, CANSIA, and others on the structure for the VNM [and CNM] program?

RESPONSE:

If VNM and CNM was being actively considered, NMRG expects it want to participate in the discussions or process.