SENATE BILL REPORT
SHB 2471

As of February 25, 2010

Title: An act relating to net metering of electricity.

Brief Description: Concerning net metering of electricity.

Sponsors: House Committee on Technology, Energy & Communications (originally sponsored by Representatives McCoy, Chase and Morris).

Brief History: Passed House: 2/15/10, 59-39.
Committee Activity: Environment, Water & Energy: 2/24/10.

SENATE COMMITTEE ON ENVIRONMENT, WATER & ENERGY

Staff: William Bridges (786-7416)

Background: Net Metering. Net metering allows electricity customers to offset their consumption of purchased electricity with electricity generated by their own small scale renewable systems. Under current law, a net metering system must generate no more than 100 kilowatts (kW) using water, wind, solar energy, or biogas, among other criteria.

Excess Generation. On April 30 of each calendar year, any remaining unused kilowatt-hour (kWh) credit accumulated during the previous year is granted to the electric utility, without any compensation to the customer-generator.

Cumulative Generating Capacity of Net Metering Systems. Electric utilities must offer to make net metering available to eligible customer-generators on a first-come, first-served basis until the cumulative generating capacity of net metering systems equals 0.25 percent of the utility's peak demand during 1996. On January 1, 2014, the cumulative generating capacity available to net metering systems increases to 0.5 percent of the utility's peak demand during 1996.

Meter Aggregation. Electric utilities are required to provide meter aggregation for net metering customer-generators. Meter aggregation means the administrative combination of readings from and billing for all meters, regardless of the rate class, on premises of a customer-generator located within the service area of a single electric utility. If required by the electric utility, the customer-generator must purchase a production meter and necessary software.

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Virtual Net Metering. Virtual net metering refers to the general concept where multiple customers are allowed to receive net-metering benefits from one production meter.

Summary of Bill: Increasing the Electricity Generating Cap on Net Metering Systems. In general, a net metering system must generate no more than 1 megawatt (MW) of electricity. For electric utilities that are full requirements customers of the Bonneville Power Administration, a net metering system must either: (1) have an electrical generating capacity of no more than 199 kW and be metered by one meter; or (2) have an electrical generating capacity of up to 1 MW and be metered by multiple meters with no meter measuring more than 199 kW.

Requiring Virtual Net Metering. Electric utilities are required to provide virtual net metering to their customer-generators. In general, multiple customers may receive fractional net-metering credits from one production meter, so long as the customers and meters are within the same electric distribution system. Excess kWh credits earned by the virtual net metering system, during the same billing period, must be credited by the electric utility to remaining meters in proportion to the specified fraction for each customer-generator. A virtual net metering system may be managed and administered by an aggregator who acts as the single point of contact with the utility and maintains a list of assigned fractions, among other things.

Virtual net-metering fractions are generally divided into assigned fractions and operating fractions. An assigned fraction is a specified percentage of generated power that is deducted from a customer-generator's electricity consumption. An operating fraction is, among other things, the percentage of generated power that the aggregator can sell to the utility at a renewable energy rate.

Customer-generators participating in virtual net metering must purchase the necessary software and interconnection equipment, if required by an electric utility. If an electric utility chooses to update its billing software to accommodate meter aggregation, a customer-generator is not required to purchase software.

Allowing Customer-Generators to Keep Renewable Energy Credits (RECs). All RECs produced as a result of the generation of electricity from a net metering system belong to the customer-generator. For RECs generated through virtual net metering, the aggregator allocates assigned fractions of the RECs to customer-generators.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created:

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: The bill allows the use of new technologies to effectively aggregate multiple meters. Anaerobic digesters and solar power advocates have expressed interest in the bill. There are existing projects that could have benefited financially

from virtual net metering. Raising the net-metering cap to 1 MW allows more people to participate in net metering. Virtual net metering does not violate federal law and will allow people to pool resources and build renewable generation. Virtual net metering will bring significant economic stimulus, help utilities reduce load, and help ratepayers save money.

CON: Virtual net metering is a solution in search of a problem because net metering under the current law works. Virtual net metering may conflict with federal laws regulating the sale and resale of power. Net metering does not violate federal law because it does not involve the sale of power. Virtual net metering violates the core principal of net-metering, which is a customer-generator who can only use power to offset his or her own consumption. The bill allows customer-generators to keep the renewable energy credits generated from their systems, which means the power they sell to the utilities will not be considered green for I-937 purposes. Virtual net metering is confusing and will be administratively complex and expensive. Virtual net metering did not receive a hearing in the House because it first appeared as a substitute during executive session, which is why the title of the bill does not accurately describe its contents. Because up to 1,000 meters could be connected through a virtual net metering system, this would appear to require the utility to wheel or transmit the power without compensation. Virtual net metering will increase costs for utilities because they will have to provide the backup infrastructure. Virtual net metering could increase the costs for utilities that receive power from BPA because of increased notification and infrastructure management costs. Virtual net metering is a form of deregulation that could allow a customer to pick a power provider other than their own utility but still require the local utility to use its billing system to account for fractional net-metering credits. Virtual net-metering involves a phantom sale of electricity to retail customers by an aggregator who is not limited on how much it may charge customers. The aggregator may be putting itself out for public service, and it should be regulated for doing so. Virtual net-metering is a bad idea for everybody - except for the aggregator.

Persons Testifying: PRO: Representative McCoy, prime sponsor; Terry Meyer, Cascade Community Wind Company.

CON: Dave Arbaugh, SnoPUD; Kathleen Collins, PacifiCorp; Ken Johnson, PSE; Kent Lopez, WRECA; Mike McMahon, SnoPUD; Dave Warren, WPUDA.

Signed in, Unable to Testify & Submitted Written Testimony: CON: Collins Sprague, Avista.