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## Environment & Energy Committee

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### HB 1427

**Brief Description:** Concerning on-premises energy generation.

**Sponsors:** Representatives Mena, Doglio, Ramel, Street, Berry, Duerr, Hackney, Reed, Fosse, Cortes, Lekanoff and Peterson.

#### Brief Summary of Bill

- Extends the net metering requirement for electric utilities from June 30, 2029, to December 31, 2035, or the first date upon which a utility reaches the cumulative generating capacity for net metering systems, which is increased from 4 percent to 12 percent of the utility's peak demand during 1996.
- Increases the size of systems that utilities must allow to be net metered, from 100 kilowatts to 200 kilowatts for a consumer-owned utility, and from 100 kilowatts to two megawatts for an investor-owned utility.
- Changes requirements for utilities regarding net metering, including requiring 25-year contracts between customer-generators, authorizing time-of-use net metering rates, and directing that unused energy credits at the end of an annual cycle be granted to low-income customers through a utility energy assistance program.
- Adopts consumer protections for solar energy customers through contract requirements.
- Requires the Washington State University Extension Energy Program to begin conducting a study by 2024, on cost shifting associated with net metering, convene a work group by May 1, 2024, to make recommendations about alternatives to retail net metering, and summarize both in a report submitted to the legislature by December 1, 2026.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

**Hearing Date:** 1/24/23

**Staff:** Andrew Hatt (786-7296) and Megan McPhaden (786-7114).

**Background:**

Net Metering.

Net metering allows customers who produce their own electricity with on-premises energy systems (customer-generators) to sell the electricity they aren't using back to an electric utility and offset their future energy costs. A net metering on-premises energy system is defined as a fuel cell, a combined heat and power facility, or a renewable energy generation facility that:

- has an electrical generating capacity of not more than 100 kilowatts;
- is located on the customer-generator's premises;
- operates in parallel with the electric utility's transmission and distribution facilities; and
- is intended primarily to offset part or all of the customer-generator's requirements for electricity.

An electric utility must measure the net electricity produced or consumed by a customer-generator during a billing period in accordance with normal metering practices. If the electricity supplied by the electric utility exceeds the electricity generated by the customer-generator and fed back to the electric utility during the billing period, the customer-generator must be billed for the net electricity supplied. If the electricity generated by the customer-generator exceeds the electricity supplied by the electric utility, the customer generator:

- must be billed for the appropriate customer charges for that billing period; and
- must be credited at the retail rate for the excess kilowatt-hours generated during the billing period, with the credit appearing on the bill for the following billing period.

On March 31 of each calendar year, any unused kilowatt-hour credit accumulated during the previous year is granted to the electric utility, without any compensation to the customer-generator.

An electric utility must offer to make net metering available to eligible customer-generators until the earlier of either June 30, 2029, or the cumulative generating capacity of net metering systems equals four percent of the utility's peak demand during 1996. After either of these criteria are reached, a utility may develop a standard rate or tariff schedule that deviates from conventional net metering, with new tariff schedules requiring the approval of the governing body or Utilities and Transportation Commission.

Time-of-Use Rates.

Time-of-use rates are generally understood to mean methods of measuring and valuing a customer-generator's energy based on the time when the energy was used or put back onto the electricity grid. These methodologies intend to take into account the fluctuation of electricity prices throughout a given day, and incorporating this into energy prices through a variable rate. On an average day for a utility, electricity rates increase when energy demand is the highest,

typically in the late afternoon and early evening, and decrease when energy demand is lower.

## **Summary of Bill:**

### Net Metering.

A number of changes are made to the rules for utilities regarding net metering, including:

- the size of systems that a utility must allow to be net metered are increased from 100 kilowatts to 200 kilowatts for a consumer-owned utility, and from 100 kilowatts to 2 megawatts for an investor-owned utility. A utility may allow net metering for larger systems;
- an electric utility is required to offer net metering for eligible customer-generators until the earlier of either December 31, 2035, rather than June 30, 2029, or until the cumulative generating capacity of net metering systems in the utility's service territory equals 12 percent, rather than four percent, of the utility's peak demand during 1996;
- an electric utility must offer 25-year contracts to eligible customer generators for new net metering systems. The contract must be transferable to any future customer-generator at the electric meter, in the case of changing ownership, for the remainder of the contract term;
- a utility must develop a standard rate or tariff schedule that is expressed as a percentage of the utility's retail rate;
- a utility may offer optional time-of-use net metering rates to customer-generators. A utility offering time-of-use net metering rates is encouraged to create incentive plans for distributed energy storage; and
- on March 31 of each calendar year, any unused energy credits accumulated during the previous year be granted to the electric utility for distribution to low-income customers through a utility energy assistance program, rather than be granted to the electric utility.

### Consumer Protections for Solar Energy Customers.

Customer protections are adopted for solar energy customers through contracting requirements. Protections include, but are not limited to:

- a customer must have a contract with a solar energy contractor if they intend to purchase the installation of a solar energy system;
- provisions that a solar energy contract must contain, including a statement regarding whether or not any installation work is to be subcontracted, and notices regarding obtaining loans and a customer's right to cancel; and
- a solar energy contractor or subcontractor may not begin work until after a customer's recession rights have expired in the event that a customer intends to obtain a loan to pay for all or part of the cost of the solar energy contract.

### Future of Net Metering Work Group.

The Washington State University Extension Energy Program (WSU Energy Program) is required to convene a work group focused on the future of net metering in Washington, no later than May 1, 2024. The work group is to be comprised of representatives from a variety of specified public and private sector entities, including:

- consumer-owned utilities;
- investor-owned utilities;
- the Utilities and Transportation Commission;
- the rooftop solar industry, including the Washington Solar Energy Industries Association;
- agricultural farms;
- environmental justice advocates;
- labor unions;
- consumer advocates;
- rural communities, including communities east of the Cascade mountains; and
- Indian tribes.

The work group is to report recommendations to the WSU Energy Program on what alternatives to net metering should be considered by the legislature. Along with its recommendations, the work group is to provide an inventory of other states' deviation from retail net metering laws, and the impact it had on the solar industry, utilities and its customers, rural and tribal lands, and customer-generator payback periods. In making its recommendations, the work group must consider:

- implications for the solar industry workforce;
- the rate of deployment of consumer-owned solar and storage;
- future electric load growth;
- reduction in utility income associated with different levels of net metering;
- equitable distribution of the benefits of consumer-owned solar and storage; and
- whether it is reasonable for utilities to count consumer-owned clean energy systems in their service territory toward their Clean Energy Transformation Act compliance targets.

Additionally, the WSU Energy Program must begin to conduct a study investigating the magnitude of any cost shifts among ratepayers associated with retail rate net metering in Washington by January 31, 2024. The study is to consider scenarios assuming a cumulative generation capacity of six percent, 12 percent, and 24 percent of 1996 peak power.

A report is to be delivered by the WSU Energy Program to the legislature by December 1, 2026, summarizing:

- the work group's recommendations on what alternatives to retail net metering should be considered; and
- the findings of the cost shift study.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.