BILL SUMMARY

BILL NO. H. 3901/S.2019 as amended

TITLE: An act relative to net metering and solar power

SPONSOR: Representative Frank Smizik and Senator Anthony Petruccelli

COMMITTEE: Telecommunications, Utilities and Energy

HEARING DATE: March 11, 2014

PRIOR HISTORY: New bill

CURRENT LAW:
Section 11F of Chapter 25A establishes the Renewable Portfolio Standard (RPS), requiring an increasing portion of energy generation to be derived from renewable energy each year. Subsection (g) authorizes the Department of Energy Resources (DOER) to require a subset of RPS requirements to be generated from distributed renewable energy generation.

Chapter 164 discusses the manufacture and sale of gas and electricity. Section 139 includes classification of net metering facilities into Class I, II, and III facilities and establishes the value of bill credits from the utility for the amount of excess energy a facility produces through on-site renewable energy generation and sends back to the grid. Aggregate capacity limitations on net metering control the total amount of facilities eligible to net meter in each service territory. Aggregate capacity limitations were implemented in 2008 and increased in both 2010 and 2012, and are currently 3% of each utility’s load for privately owned projects and 3% of each utility’s load for municipal or other government projects. Facilities with a nameplate capacity of less than 25 kW are exempt from the aggregate capacity limitation.

SUMMARY:

SECTION 1. Section 11J of ch. 25A Creates the Commonwealth Solar Incentive Program. Memorializes in statute the 1,600 MW DC solar goal which is to be achieved through the aggregate of projects developed under the DG program of paragraph (g) of chapter 11F of ch. 25A (SREC) and the new Declining Block Solar Incentive Program of Section 11K of ch. 25A. Section 11K Declining Block Solar Incentive Programs
(a) Definitions.
(b) Declining Block Program is to be a statewide program implemented by all distribution companies comprised of a schedule of standard declining block value incentives for solar facilities. The Blocks shall be a series of steps which decline in value from step to step. A step will automatically open when one fills up. There may be a reserved amount of capacity in each step for facilities under 25 KW.
(c) Declining Block Values will be developed by the DOER and approved by DPU. Declining block values will be designed to provide sufficient revenue to support the economic viability of solar facilities, using a number of factors, including: nameplate capacity; installed cost, with adjustments for varying costs of construction in different locations; ongoing operation/maintenance costs; financing costs; taxes and fees paid; expected solar net metering or solar virtual metering credits; federal or state incentives; payback expectations; data from competitive solicitations; etc. Values may be adjusted further for projects associated with: municipal or other governmental entities; low income housing; geographically targeted areas; emergency power generating facilities.

(d) Each Block shall be available across all distribution companies and market segments in aggregate.

(e) Incentive credit calculation will be determined based on facility type:

1. Phase 2 Solar Incentive will be a fixed payment.
2. Solar Virtual Metering Facility will receive a fluctuating incentive calculated by subtracting the solar virtual metering credit from the declining block value. If the solar virtual metering credit ever exceeds the bundled solar compensation value, such credit will be adjusted to equal the declining block value. If a customer ever elects to terminate its participation in the program, the associated facility will no longer be eligible for solar virtual metering credits or incentives associated with the declining block value.
3. A merchant solar generating facility incentive will remain fixed. The incentive will be the difference between the bundled solar compensation value and a representative solar virtual metering credit based on a recent 12 month average.

(f) Declining block program will include a mechanism to automatically adjust declining block values in reaction to certain market forces. At the mid-way point in the Program, DOER will review the remaining blocks to determine if further adjustments are needed.

(g) Incentives will be provided for 15 years. DOER may recommend shorter incentive terms for projects under 25 kW.

(h) DOER will set eligibility requirements to participate in the Program, including: participating customers; nameplate capacity; installation standards; equipment warranties; performance; and, relocation of equipment.

(i) DOER will establish a system of assurance for solar facilities to obtain reservations of capacity in steps associated with declining block values.

(j) Funding for incentives will be shared proportionately among distribution companies according to load ration.

(k) Utilities will retain the non-energy attributes to participating facilities. Utilities may either use such attributes for its own basic-service Class I REC obligation or sell the attributes in the Class I REC market, with proceeds being returned to distribution customers.
SECTION 2. Section 94J of ch. 164. Each distribution customer will pay a minimum bill, regardless of electricity used. The amount of said minimum bill will be set by the DPU upon petition of a utility. The DPU may exempt or modify for the low income rate class.

Section 94K. The costs of net metering, phase 2 solar net metering, solar virtual metering and the declining block incentive program will be recovered through one rate recovery mechanism. Utilities may add employees if necessary to administer these programs.

SECTION 3. Updates the net metering statute to refer to the rate recovery mechanism being added as Section 94K to ch. 164.

SECTION 4. Updates current net metering statute to eliminate any solar facility from the cap; places a 3% cap for Class I facilities, agricultural, wind and anaerobic digestion facilities. If the 3% cap is reached for such technologies, future facilities may net meter, but at a reduced credit calculation.

SECTION 5. Phase 2 solar net metering and solar virtual metering.

(a) Definitions. Includes: campus solar virtual metering facility; community shared solar virtual metering facility; landfill solar virtual metering facility; low income residential solar virtual metering facility; phase 2 solar net metering facility; private entity solar virtual metering facility; solar virtual metering credit; solar virtual metering facility of a municipality or other governmental entity.

(b) (1) Utilities, generation companies, aggregators, etc. may not receive credits from a phase 2 solar net metering facility or solar virtual metering facility. (2) Eligibility of a system as a phase 2 solar net metering facility or solar virtual metering facility will be for the life of the facility. If a customer seeks to expand the facility, it must seek a new assurance of net metering or virtual metering eligibility for the new capacity.

(c) (2) Phase 2 net metering credits shall be credited to a customer of record’s account for excess solar net metering credits and may be carried forward from month to month. (3) Solar Virtual net metering credits shall be credited to a customer of record for total production in the billing period and shall be allocated to eligible recipients of credits.

(d) A distribution company shall file tariffs regarding interconnections.

(e) There shall be no cap on phase 2 solar net metering or solar virtual metering.

(f) Allows members of a cooperative corporation to designate said cooperative as their customer of record and transfer its aggregate capacity cap to the cooperative.

(g) (1) A phase 2 solar net metering customer shall receive “behind the meter treatment” if the facility is physically located behind the revenue meter on the same parcel as and within a reasonably short distance from the customer of record’s load. (2) Facility size limits apply per parcel: 2 MW for a solar virtual metering facility; 5 MW facility for a phase 2 solar net metering facility; 2 MW for a parcel containing both a phase 2 solar net metering facility and a solar virtual metering facility. Facilities shall not be built on contiguous parcels unless developed by different developer and owner or developed 12 months after a development milestone.

(h) A customer with a phase 2 solar net metering facility may cash out accumulated credits if the credits exceed 50% of the customer’s annual billings or the customer moves. The cash out will be calculated at the rate given solar virtual metering credits.
(i) Utilities may propose to make check payments to solar virtual metering facilities of municipalities or other governmental entities in lieu of credits.

(j) The costs associated with phase 2 solar net metering and solar virtual metering will be recovered through the rate recovery mechanism in section 94K of ch. 164.

SECTION 6. Starting before September 1, 2014, DOER will develop the Declining Block Values under section 11K of ch. 25A. Before November 1, 2014, DOER will file the proposed program with the DPU, and the distribution companies will file an illustrative tariff to carry out the block values.

SECTION 7. The DPU must issue and order on the new program and tariffs by June 1, 2015; the electric distribution companies must file compliance tariffs within 30 days, with the tariffs becoming effective July 1, 2015.

SECTION 8. There will be a transition period from July 1, 2015 to December 31, 2015 where projects can elect to stay under the current net metering/SREC rules or join the new declining block and metering programs. If a project elects to stay under the current rules during that time period, it must pay a $60/kW deposit and be mechanically complete by September 30, 2016. Systems under 25 kW will not have the election but will follow the new rules of phase 2 solar net metering and declining block values after July 1, 2015.